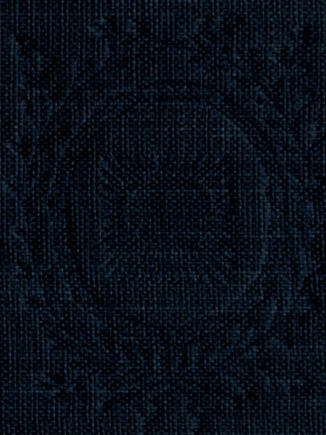
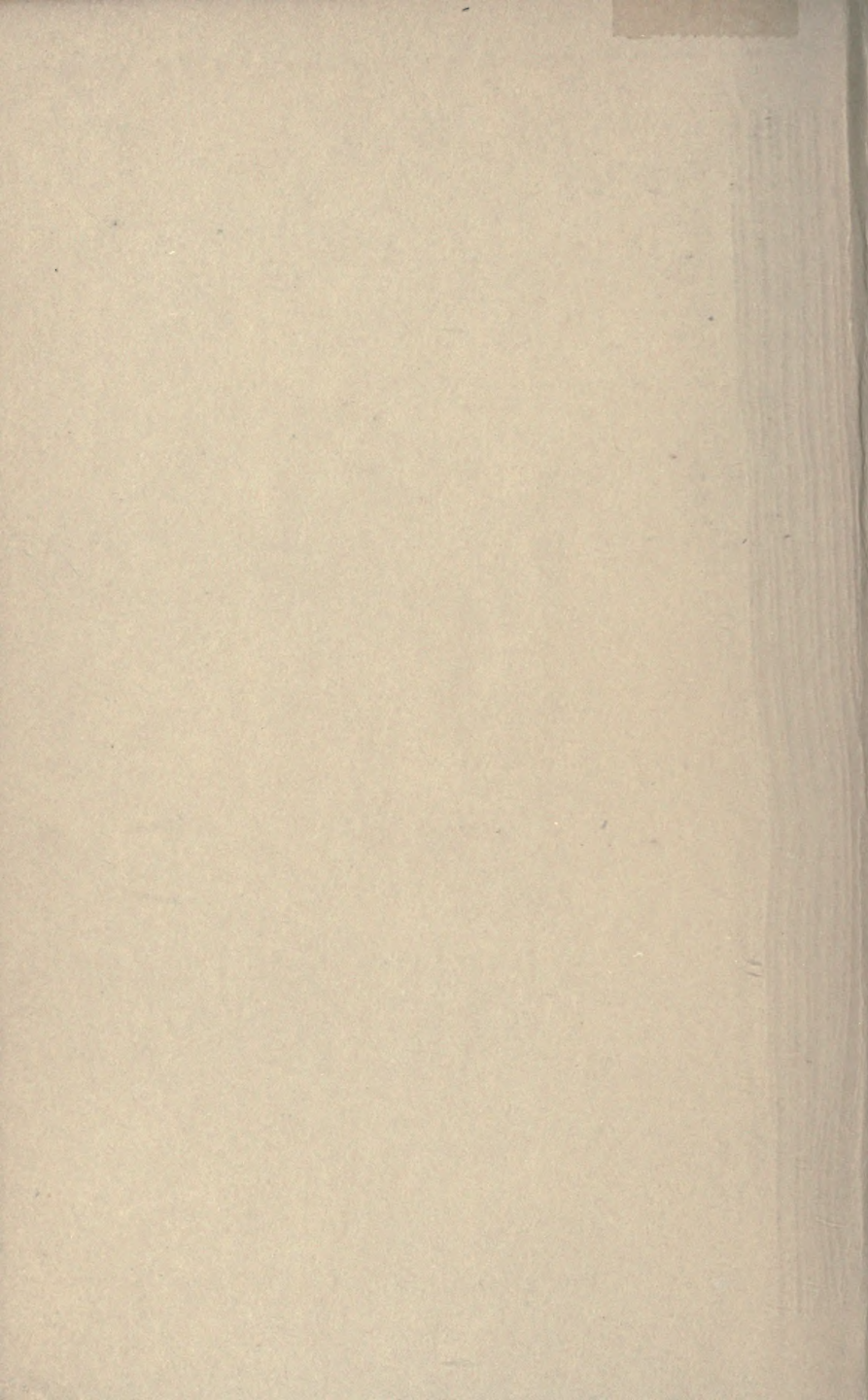




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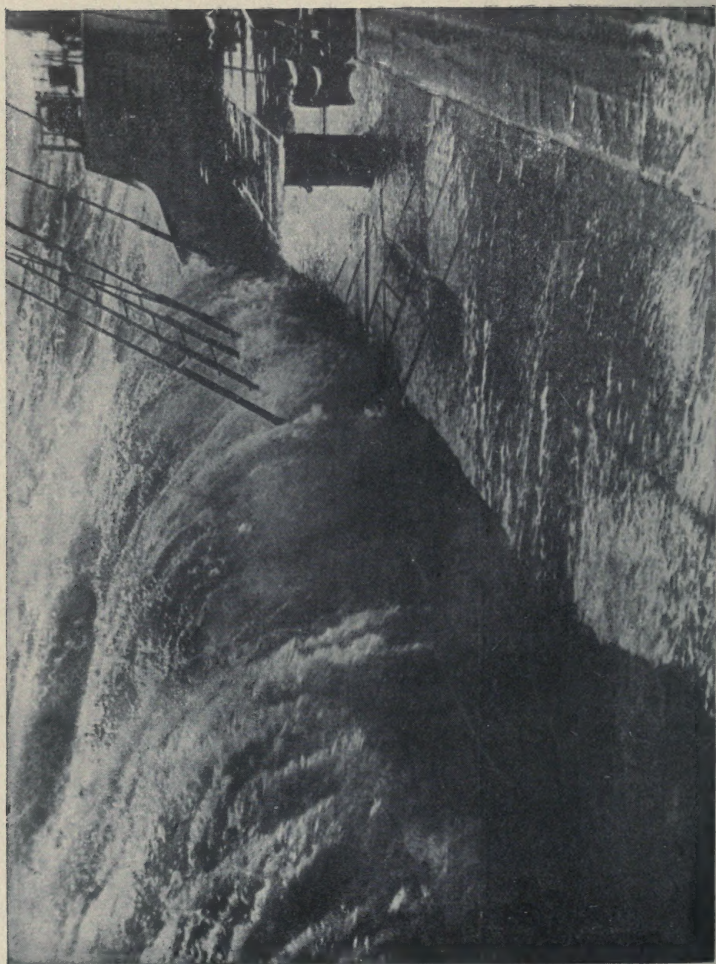
## OCEAN SHIPPING







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# OCEAN SHIPPING

ELEMENTS OF  
PRACTICAL STEAMSHIP OPERATION

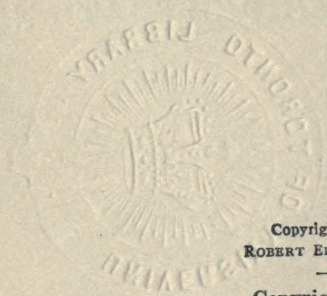
BY  
ROBERT EDWARDS ANNIN  
LECTURER ON ECONOMICS, N. Y. UNIVERSITY



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TO  
LEWIS H. SPENCE  
AND  
A LONG FRIENDSHIP





## PREFACE

Within the limits of a volume like the present it is possible only to touch upon even the fundamentals of ship management and operation.

The author is fully conscious of obvious omissions; but, since it has been necessary to select, he has endeavored to do so with judgment. The aim has been to exclude, as far as possible, the academic and legalistic, and to make the book what its title implies — a practical, if elementary, guide, based on experience, rather than a theoretical treatise based on maxims.

Wherever the author has felt his own experience to be inadequate he has not hesitated to seek advice. Acknowledgments are due to many friends for aid and suggestion; and especially to Mr. M. G. Isdale for chapters IX and X and to Mr. W. B. McAllister for liberal assistance throughout. Also to Mr. W. D. Winter for the aid afforded by his remarkable book on Marine Insurance; and to "Scrutton on Charter Parties" for the light shed on many points. In the main, however, any needed assistance has been obtained from men rather than from books.



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PART I  
THE STEAMER





# OCEAN SHIPPING

## CHAPTER I

### AN AMERICAN MERCHANT MARINE

**N**O lesson of the past five years has been more sharply driven home to us than the complete dependence of commercial nations upon their facilities for ocean transportation. England by immense effort preserved her water routes, and emerged victorious, despite traditional "muddling." Germany, driven from the high seas at the outset, went down to defeat, although victorious on land for nearly four years. Austria, shut out from all ocean access, was in a state of collapse long before her stronger ally was obliged to confess defeat. Even the neutral mountain republic of Switzerland, with no ocean traffic of her own, was obliged to throw herself upon the mercy of the belligerents for the necessities of existence.

Our own country was driven to construct a vast fleet of ships regardless of cost, of time, or of economy; regardless, in fact, of everything save the imperative necessity of somehow keeping our commerce going; and with the return of (comparatively) peaceful conditions we must now provide for the future of the war-time shipping left on the hands of the federal government.

The task is no easy one. Upon the wisdom with which

the problem is solved will depend the future of our American merchant marine. Deep-sea commerce is an activity that cannot be successfully administered by politicians, nor protected by national legislation. Mercantile tonnage may be run at a loss for a certain time, but not permanently; for ultimately the cost will be pronounced prohibitive.

Every ship, like man, her maker, is mortal. She has her little day of service and goes to the scrap-heap — or to “Davy Jones.” She is, broadly speaking, replaced only if her operation has shown a profit; and this will, in the long run, prove as true under government as under private direction.

Whether our government retains its fleet under political control or sells it, the continuance of the American flag on the high seas will depend upon successful competition with the merchant fleets of other nations.

The only real advantage of government, as compared with private, operation, is a greater ability to endure punishment. Because, however great government losses may be, they are thinly distributed among a multitude of taxpayers. In every other respect government management is at a hopeless disadvantage. This conclusion is confined to no one nation or period. It has prevailed as far back as there are any recorded conclusions on the subject; and one may be sure that, in this respect, history would be buttressed by prehistoric experience, were it possible to study the unrecorded past. Seventy-five years ago a great English novelist and satirist dubbed government operation as the “art of how *not* to do it,” and the place where that art flourished as the “Circumlocution Office.” In our own time, one of the highest of our national officials has given as a reason for the

failure of government operation that "there is no one to cuss, no one to sue, and no one to reward."

The trouble is not in the personnel selected for government service, for that is ordinarily above the average, in ability and honesty. It lies in the atmosphere and environment, where personal incentive is reduced to a minimum, and the temptation to shift responsibility (in the vulgate, to "pass the buck") raised to a maximum. In competition with the type of efficiency produced by the selfish hope of personal profit, the inevitable red tape of government routine is apt to prove fatal; and of no business can this be more truly asserted than of shipping. For while papers are being passed backward and forward, signed and countersigned, viséd by chiefs and deputies, departments, and sections, time elapses, expenses mount, and charges accumulate. Time and tide, interest and insurance, demurrage and storage, wages and subsistence, wait for no man; and in the handling of ships a mysterious fate too often follows the blunderer, which makes any loss of opportunity irretrievable. Thus the results of negligence, oversight, and inexperience become cumulative.

It should not, therefore, be assumed offhand that an American merchant marine is assured merely because our government now owns a multitude of more or less seaworthy ships. If a workable plan can be evolved for selecting and employing those ships that are suitable for the inevitable competition, and if the plan be executed by intelligent experience untrammelled by political meddling, the American merchant marine is here to stay. And if not — not.

Protective legislation, which has been highly efficient in fostering and developing certain of our home indus-



tries, has never succeeded in securing for us an adequate share of the ocean carrying trade. The reason is plain enough: other nations could build and operate more cheaply than could we, and therefore could underbid us in the open freight markets of the world. Our own protected land was full of opportunity for profitable investment, hence capital would not risk the unrestricted competition that must govern adventuring on the open sea. Even our coastwise traffic was preserved only by the legal exclusion of foreign ships from the United States coastwise trade. But deep-sea traffic could not be thus protected, nor could our shipyards, with their high material and labor costs, compete, under any tariff laws that could be devised, with those of Europe.

The legislation intended to protect our shipyards not only failed of its immediate purpose (for who could afford to pay double prices for the sake of flying the Stars and Stripes?) but, by denying American registry to ships built abroad, actually drove our flag from the ocean.

A series of laws, intended to benefit and protect American seamen, hurt rather than helped; since they merely tended to place our own shipowners at a disadvantage as compared with foreigners, to most of whom all the cheap labor of the world was available without restriction. With us the opportunities of the average man were so many and tempting that the supply of American seamen gradually became restricted to two classes — those who had love of the sea in their blood, and those who were driven to sea by failure on land.

In brief, previous to 1914 both American labor and American capital were disinclined to the ocean, simply because they could do better.

The fate of our existing merchant fleet is to be determined in the period that lies immediately before us. Not only must our shipping be managed and operated by those whose ability and experience may qualify them to compete with the English and the Scandinavians, who are the great maritime nations; but our new legislation must be undertaken in the realization that American owners, builders, operators, and managers will have to meet barehanded the severest and widest competition, and can succeed only by excelling.

In other pursuits a nation may remain intrenched behind its tariff barriers; but the merchant marine must sally forth to meet all comers on the open sea, where its right to survive must be determined by the processes of economic selection. Protective legislation against deep-sea competition would have as much effect as writ of *ne exeat* on a German invasion.

One of the first steps required is to discard some of the misfits — begotten of war's emergency. The types of ships to be retained in service must be selected by men of practical marine knowledge and experience. Our shipowners should be placed in as favorable a situation as those of any other nation, as regards government regulation, taxation, and (if possible) labor cost. A trained body of operators will be gradually produced by a combined process of elimination and recruiting. At the moment the former process is the more important. Never in the history of the business has it contained so large a proportion of inexperienced men. Amateur managers, operators, and agents have sprung into existence — in some cases even into prominence — under the magic of war-time conditions. Some of these were "managing" ships before they had ever negotiated a charter, figured

a rate, or seen a manifest. Many, even yet, have not thoroughly grasped the fact that good intentions do not constitute specific performance; and, regarding polite regrets as ample amends for default in their obligations, consider a contrite heart as a full equivalent for a contract right. In truth, no effect of war conditions on shipping circles is more striking than the dilution of the sense of responsibility.

Presuming ignorance or well intentioned rashness, though they may have passed in the turmoil of war conditions, are of course no substitutes for experienced ability and training. We have the right sort of men all along both coasts, but not in sufficient numbers for the task ahead of us. To them will fall the training of the recruits who must be gathered and educated for the future management of our ocean fleet. Or it may be that the opportunity will attract talent from the maritime nations of Europe, which would help at the outset. Trained men we must have to handle the ships. Any attempt to match American amateurs against foreign professionals is foredoomed to failure.

A collection of ready-made ships bears the same relation to a merchant marine as twelve violins and a bassoon bear to a symphony orchestra. The question of operation is quite as vital as the instruments. So with shipping.

Government merchantmen are now being operated and managed by private firms or companies acting as agents for the Division of Operations of the United States Shipping Board, and under that control. This is a middle course between government operation and sale of the tonnage to private interests. There is great diversity of views in shipping circles as to the proper future



course to pursue; and criticisms are expressed with great confidence until the crucial question is asked, "What would you do?" Then there is usually silence. When one considers the problem that had to be met in 1917 — a fleet and organization to be created out of nothing, and communications to be maintained at over 3,000 miles distance for the largest army in our history — it must be admitted that no single agency, outside the army and navy themselves, made so important a contribution to the victory as the United States Shipping Board.

An organization that accomplished so much in the turmoil of war should certainly have an opportunity to show what it can do with the problem that remains; and this, no doubt, is to be afforded. But the two problems are widely different. To survive in the sharp competition that is even now in progress will require qualities that could be dispensed with during the fighting. Further, where for five years the only trouble has been to obtain tonnage, the problem upon us now is that of obtaining cargo to fill the ships.

At this stage the future is not clear enough to warrant a final decision. The present policy is a waiting one, and as such will probably continue until post-bellum conditions have more definitely developed, and the public has been educated to the inevitable loss that, sooner or later, must be written off. The result of the railway experiment would seem to preclude repeating that in shipping; immediate sale of all the ships except at vast sacrifice is impossible; and public opinion would not support any policy that involved selling the good ships and keeping the inferior ones.

The passenger problem will be complicated by the



effect of prohibition on American passenger ships. This will be an enormous advantage to foreign passenger business, and a corresponding handicap to our own.

Another feature will develop and assume an increasing importance, as trade returns to the normal level where the cargo-shipper holds the position of vantage. The owners who are most accommodating and conciliatory to the shippers will obtain the preference in freights. In a competitive market the government would be simply a competing shipowner; and the arbitrary "take-it-or-leave-it, like-it-or-lump-it" attitude, which is apt to be the temptation of officialdom, would merely drive shippers to privately owned bottoms for accommodation, with the result of leaving government ships unemployed. This might easily prove a decisive factor in success or failure.

It grows increasingly plain that American capital cannot promptly absorb the enormous fleet left on the hands of the Shipping Board, even at prices very much lower than those at which the Board would feel inclined to offer them — or in fact than public opinion would tolerate until it has been educated to look the facts in the face.

When all is said and done, the world's market conditions will have to be promptly and effectively met, whether ships be operated by government, under government direction (as at present) or under strictly private management. No government or other agency is strong enough successfully to oppose the economic forces that obtain in this gigantic age. And whoever or whatever should attempt it would crack like an egg-shell.

And what is true of the Shipping Board is equally true of private corporations which have assumed enormous

responsibilities without the experience or training needed to meet the coming crisis. Size will not help them. In the words of the late Mr. Fitzsimmons, "The bigger they is, the 'arder they falls."

Here, then, lies an immediate problem, the first steps in the solution of which are about to be taken. Upon the direction in which those steps may lead us is to depend the future of our merchant marine. If they lead aright, it will survive. And if not — not.

## CHAPTER II

### RANGE OF THE BUSINESS

**T**O say that one is in the "shipping business" is to make a very indefinite statement — almost as indefinite as to say that one is in the "manufacturing business."

The shipping business may be any one of a dozen businesses, from building hulls or engines to raising wrecks. It may mean buying or selling, hiring or chartering, operating or loading anything from the coast-wise schooner, *Mary Jane* of Bridgeport, Conn., to the German giant now flying our own flag and currently known as the *Levi Nathan*.

Brokers, drydocks, consulting engineers, exporters, and certain bankers may all be properly described as "in the shipping business," and there are besides a score of highly specialized branches stretching from lighterage and towage to average adjusting and admiralty law.

Clearly, a business so highly specialized is a field chiefly for specialists. It is not possible for any ordinary man to grasp fully the details of all the branches of such a pursuit; nor, in fact, do experienced men attempt it. A good shipping man, be he agent, operator, broker, or underwriter, may be described as one who knows his own branch, as well as something about all other branches. And if that something be the knowledge when to seek advice, and where to find it, it is well.

This necessity for a mutual exchange of experiences, and the resultant readiness to give and take advice, creates a kind of free-masonry among real shipping men, which is in striking contrast to the narrow practices of many trades.

We shall deal only with those branches of shipping that pertain to the management and operation of cargo steamers. This is not alone because these constitute four fifths of the ocean tonnage operated, but because the passenger business is a specialty that stands quite apart from that enormous fleet which busies itself only with freighting, and which tolerates no rival to its sole revenue producer, which is the cargo. Wherever the passenger intrudes, with his insistent demand for comfort and luxury, a special problem is created, and considerations are pushed to the front that are non-existent in the freighting business proper. The large passenger liners are the ships with which most of us are familiar — they appeal to the imagination with their huge bulk, their luxury, their speed, and their enormous revenues. But the real deep-sea work is done by modest and comparatively insignificant freighters, most of which have not even a regular route, but go wherever the needs of markets or the exigencies of trade may show them a profit.

It may be said of the operation and management of freight-ships — tramps, if you choose — that any one who conscientiously follows this pursuit for a few years will find himself in possession of a mass of information such as the ordinary man never acquires. He will also have found that there is hardly anything he can learn that will not fit into some problem he will be called upon to solve in connection with his vocation. No com-



mercial business is more broadly informative than that of an active shipping man.

If one goes among a crowd of successful steamship men he will be surprised at the wealth of information and range of interest that they will display. Nothing human is devoid of interest to them. In the ordinary course of their business they are compelled to consider a group of factors wider and more varied, perhaps, than that of any other business, excepting only high finance. No active shipping man opens his cables in the morning without more or less of a feeling of trepidation. Few leave the office at night without a feeling of uneasiness as to what a few hours may bring forth. Not only are ventures (present and future) subject to all the perils of the sea and uncertainties of the market, but there is hardly any major event affecting the fortunes of a great body of people — from a new tariff in Australia to a volcanic eruption in Sicily or a crop failure in Rumania — which may not demand an instant readjustment of plans or prompt protective action. When crops are at a critical stage — when a bumper crop is hoped for, or when a failure is feared — the commodity itself is first and most affected, and freights next.

The St. Louis cyclone, the Galveston flood, the European food shortage of 1898, the declaration of war against Spain, the World War of 1914, all affected the ocean freight market instantly and violently. Dewey's victory at Manila Bay in May, 1898, knocked the bottom from the ocean freight market in twenty-four hours, and cost shipowners and freight-shippers millions of dollars. The declaration of war in 1914 absolutely stopped some kinds of shipping business for a time — for war insurance was unobtainable. German shipping was, of

course, put out of commission for the duration of the war.

For such reasons the operation of ships is about the most interesting and exciting business in the world, excepting aviation and bank burglary. As the vulgar saying goes, one never knows what minute will be his next, nor what a turn of events may do for or to him.

The sudden changes of fortune and grotesque results due to the late war are fresh in memory of many. The man who bought a ship at five times her ante-bellum value, and paid for her in the first voyage or two, became so common in 1915 and 1916 as hardly to cause remark. The schooner that paid for herself in prepaid freight before she lifted her anchor was really quite common. The wreck that was bought for a song, repaired for a symphony, and sold at grand opera price was so numerous as almost to be worthy a special place in the census. Also the shipper who paid \$50,000 demurrage on a charter that never promised a profit of \$5,000 was painfully in evidence.

In July, 1914, occurred an arbitration. A charterer claimed the right to cancel a long-time charter which he had taken at 5/- per ton per month; but the decision was against him: he was obliged to keep and operate the ship. A year or so later he came to one of the arbiters and thanked him, saying that the decision had been a small fortune to him. Freights had advanced 1,000 per cent.

It has been an open secret that for the first two years of the war the big money was made by newcomers in the business, who took unthinkable risks and reaped undreamed-of profits; while those experienced in the trade stood aside with bristling hair and horror-struck faces.

It is also no secret that a good deal of the "easy money" then acquired by novices is now in search of a more permanent home.

Such losses and profits, however, are usually the result of extraordinary and unforeseeable circumstances. Ordinarily the making of a living from ship operation follows the humdrum routine of most other pursuits, and is no more of a bonanza than the manufacture of leather. However, it is probably true that to the patient man, who does not try to force his luck or get rich quick, ocean transportation will offer, in the course of years, more large opportunities than come to the average manufacturer or trader in the same time. To fit himself, so that he may be in position to take advantage of such chances as they occur, is the purpose of every ambitious young man in the trade.

For in this business, as in most others, there is no royal road to success. The processes of ocean transportation are complex and require experience as well as ability to direct them properly. That experience can be accumulated only slowly and laboriously.

From the time a charter is signed or a voyage determined, to the time when a ship clears outward, constant watchfulness and foresight, decision and resourcefulness are required from her managers. And when the loading and despatch have been disposed of, her arrival at destination and discharge must be anticipated and her next movement arranged for. Such work certainly keeps the lichens from growing on the human mind.

Outside of playing a violin there are few pursuits at which the novice so soon discloses himself as at the shipping game. Some obvious ignorance, some gross violation of fundamentals, some absurdity of opinion or



judgment, is sure to betray the pretentious impostor or the simple greenhorn.

It is told of a certain Secretary of the Navy that when he first looked down the hatch of a ship he exclaimed, "Why, the darn thing's holler!" That story has been pinned on to most Secretaries of the Navy, who, for some mysterious reason, usually seem to be inlanders.

A certain broker recently asserted that a ship under discussion rated 100 A1 at Lloyds; and insisted upon it even after his attention was called to his error. Now, 100 A1 being a rating only applied to steel or iron ships, this error betrayed gross ignorance on the part of the broker; for the ship in question was wooden.

Another broker, having made a charter for a full cargo, was detected in negotiation with a shipper (not the charterer) for a deckload, and strongly insisted on the owner's right to take the extra cargo on deck. This not only marked him as a greenhorn, but showed that he had failed to read the charter party, that document specifically forbidding such action by the owner.

To hear ostensible "old salts" talking of "*demureage*" and "*liables*," or referring to the lower hold as "down stairs," is apt to test one's self-control and politeness. Such absurdities, however, have been common in wartime conditions, which threw upon inexperienced recruits responsibilities far beyond their training, and under which they could not do themselves justice.

In seaboard towns this was one of the most notable business dislocations that marked the world struggle. One of the horrors of war observable at any seaport for the past few years has been the newly fledged Ancient Mariner, whose sole resemblance to Coleridge's specimen lay in his loquacity.



The greenhorn has certainly had his inning during the war. In fact, every one has had his inning during the war. Five-dollar-a-week boys have sold at twenty-five a week, and fifteen-hundred-dollar clerks at five thousand a year. The five-thousand-dollar man could not be had — for he was getting from fifteen to thirty thousand — perhaps with some firm who went to bed “broke” and woke up rich. The shipowner, the ship agent, the stevedore; the ship captain, the longshoreman, the drydock and the towboat man; the ship, the wharf, the lighter, and the truckman — all joined in the merry financial dance. White beachcombers bought automobiles, and colored roustabouts purchased white satin shoes for their wives to wear in the laundry. “Dukes were three a penny,” but longshoremen were one hundred dollars a week; tramp shipmasters five hundred a month and a “bonus”; and dock clerks twelve dollars a day, including overtime. In other directions the situation was similar — from the shoe manufacturers of Massachusetts to the French retailers who catered to the A. E. F.

One painful result of these conditions was the general distrust begotten thereby. Every man suspected his neighbor of profiteering. Even the government sometimes raised its Ebenezer concerning that heinous but, fortunately, unusual crime.

Quite recently a husky longshoreman, replying to a reproach that he, like the rest of his kind, was out for all he could get, simply replied, “And what the hell else would I be out for?”

What this retort lacked in polish it gained in candor. The sincerity of the humble longshoreman might be com-

mended to many who made far greater patriotic pretensions — and a thousand times more profit.

It is recorded of those genial coparceners, the “Walrus and the Carpenter,” that the former tearfully ate the most oysters, but *the latter ate all he could get*. No commercial class took any more than the Carpenter, and few got any less — here or abroad.

Thousands of individuals from all classes did noble and self-sacrificing service; but no commercial class, as a class, is unselfish. The most to be hoped is that their selfishness may be intelligent.

## CHAPTER III

### WAR-TIME VALUES, SHIP VALUES, AND FREIGHT LEVELS: THE PROSPECT

THE place where the shipping business can be most advantageously studied is at the ship's hatch and on the wharf. It is there that one has it impressed upon him that transportation is really not a matter of pen and ink, way bill and freight list, manifest and bill of lading; but a big, vital, physical problem requiring much experience, more ability, and an unlimited stock of horse sense.

It is there he learns the physical limitations of receiving, discharging, and stowing; the capacities of the various agencies used in the actual handling of cargo; the large and small economies and extravagances of the dock, and the numerous games of the water-front, which is the crookedest section of any seaport.

He finds the waste and expense of tendering cargo too fast, so that lighters incur demurrage, or too slow, so that the ship is kept waiting; the methods by which stevedores swell their overtime, and other special charges; the tricks arranged between talliers and lighters, by which the ship is mulcted for short out-turn; the devious ways of the cargo thief and pilferer, and the measures necessary to protect the cargo from these and other inevitable risks; the truckman's wily ways to secure clean receipts for broken packages or torn bags, and the thousand and one dishonesties of the "beach."

A man with his wits about him should there pick up some knowledge of ship construction which might be invaluable later; a wide knowledge of cargo, with a helpful notion of stowage, trim, and draft — briefly, an education such as no mere office experience can ever supply, let alone a study of books or pamphlets. An old shipping man quickly recognizes a kind of ready comprehension and resourcefulness in the wharf-trained man. And it is not necessary to say that, other things being equal, such men will always receive a preference.

An experience that has not extended back farther than 1914 or 1915 is likely to be a dangerous possession in the years immediately before us. In the five years just past, any man of good sense, whose interests were guarded by common honesty, could make money out of straight operation of seaworthy shipping. All have heard the incredible stories of sudden riches acquired by mere boys who had nothing to go upon but their nerve; and many of them are based on fact.

A few illustrations from the war-time freight market, as compared with normal rates, will show how fantastic a situation was created by war conditions.

A steamer built at a cost of \$315,000 was sold a year later for \$1,600,000, and earned \$2,273,000 in six months; after which she was again sold, for \$1,800,000.

A good cotton rate from the Gulf to the Mediterranean was formerly 60 cents per 100 pounds — \$13.44 per ton. In May, 1918, there was bid \$20 per 100 pounds, or \$448 per ton of cargo. At the same time \$175 per ton was bid for spelter. Had the government permitted the voyage, the ship that had been secured for this combined cargo would have netted 150 per cent. of her cost in prepaid freight on this voyage alone.



It was a common experience between 1916 and 1918 that wooden schooners, theretofore confined to coasting with the coarser and cheaper classes of cargo, went into overseas traffic and paid for themselves in net earnings in a year or less, leaving the value of the ship, when and if sold, as clear profit. And this although fancy prices were paid for inferior ships — even up to \$80 per dead-weight ton.

But nothing as to the future of the freight market can be inferred from the years of 1914–1918. That was a period of topsy-turvydom whose experiences are not likely to be repeated. Any shipping business not based upon a steady and rapid return to normal conditions will be full of peril. It is wise to bear this clearly in mind, else the fantastic fortunes made in those fateful four years will tempt rash men to flirt with disaster.

It will be best, however, to forget entirely the level of freights which, at times, prevailed in the thirty years preceding the World War, when grain was at times carried free as ballast and at others a slight premium was paid to secure it; when weight cargo was often carried from New York to Liverpool or Glasgow for less than \$1 per ton and cotton for less than 90 cents per bale. When sailers carried cargo hence to New Zealand — 14,000 miles — for 20/-, 18/-, and even 15/- a ton, under stress of keen competition; and when hundreds of vessels lay rotting or rusting in the Clyde because it was cheaper to let them go to ruin than to run them.

That no such conditions may be anticipated in the near future, if ever within this generation of business men, is indicated by the continued presence of high freights and the comparative reluctance with which the market has left the high levels of war-time both in ton-

nage valuations and in freight rates. For this there is a variety of reasons, beside the enormous inflation and consequent depreciation of our currency, which is in itself an important factor. To begin with, the destruction of war, plus the normal losses due to perils of the sea, undoubtedly left the world's merchant fleet smaller than in 1913; while it is not to be doubted that with the reconstructions to be effected abroad the demand for room will be continuous for a long period.

Further, of the tonnage now listed as available much has been and more will be withdrawn as unsuitable for peace-time freights, and indeed unable to live under peace-time conditions. In this class must be placed most of the class-expired vessels (both sailers and steamers) which will be heavily handicapped by the enormous cost of repairs, operation, and insurance. For it must be borne in mind that when the underwriters mark a ship as a bad risk, not only the direct advance in premium must be borne by the owners, but shippers will demand a reduction in rate equal to the enhanced premium demanded by the cargo underwriters. This will put the lower classes of war-time merchantmen out of business.

To these must be added pretty much all the wooden ships built, as a purely emergency measure, during the war, both because they were mostly built of unseasoned wood which cannot be kept tight by anything short of omnipotence, and because (as one disgusted shipmaster expressed it) they were largely built by cow-shed carpenters. With the displacement of wood by steel the old race of ship carpenters became extinct, and these wooden war-timers were mostly built by labor unskilled in this class of work.

One ship that was contracted for at \$100,000 for building cost \$130,000 to repair after her first voyage. Another cost \$200,000 to build and \$180,000 to repair after one trip. These two boats are supposed to have pumped a large portion of the Atlantic Ocean through themselves, sucking it in at the seams and putting it out at the scuppers; and much of the workmanship would make a cow-shed artist blush with shame. With a return of more moderate rates such vessels are being relegated to carrying coal and lumber coastwise; and not a few owners will decide that it is cheaper to scrap than to operate them. To every ship there comes a time when her repairs eat up her revenue, and to these it will come as freights progressively decline. To many it has already come.

Then there is a by no means insignificant number of floating wrecks that were patched up for war service: ships that had lain rotting for years; ships abandoned on the beach; and even ships long sunk and recently raised. Some of these were not fit to carry cork waste from Staten Island to Sandy Hook.

Another and a most important factor in freights is the decreased efficiency of tonnage, due to a variety of causes, of which the reduced efficiency of labor is perhaps the chief. It is hardly too much to say that it now takes four ships to do the work done by three of equal size and class before the war.

It is not easy for the most experienced owners or agents to forecast the immediate future of freights. Not only does the world-wide disturbance of finance and exchange; the present and prospective import requirements of Europe; the dizzy cost of operation; the ab-



normality of both war and labor legislation, affect shipping as acutely as any other branch of industry: but the disorganization of European industries and manufactures has almost exterminated, for the time, the export trade of the late European belligerents. Add to these the constant outbreak of strikes and boycotts, the shortage in coal, and the enormous wages of seamen, and it will be seen that the shipowner of to-day will need all his wits about him if his property is to be kept from disaster.

Labor troubles are particularly disconcerting in this business, since the main items of expense must run on, and heavy losses cannot be avoided whenever strikes cause, directly or indirectly, the tying up of tonnage. When a ship hired at \$3,000 a day is tied up, there is that loss to be met. No contract provision can do more than take it from the shoulders of one party and put it on the shoulders of another. To the owner, his interest, depreciation, wages, subsistence, insurance, and sundry expense run on whether the ship is idle or active. If his ship is chartered on time or bare-boat form, the loss may be for account of the charterers, but it is there. It will require both judgment and experience to avoid heavy losses from labor conditions for some time to come.

Shipping is peculiarly exposed to the attacks of the "crook family," beginning with the dock thief and running up to the fraudulent promoter. This has been especially obvious under war conditions, which seemed to produce a special breed of arrested moral development — scalawags who could propose nefarious operations with an unconsciousness of moral turpitude which left the ordinary second story artist gasping for breath.

This species has been particularly pestilential, but should be abated now not only by the decreased opportunities, but by the return of normal conditions to a shipping world whose judgment has been sadly distorted by the topsy-turvydom of war.

## CHAPTER IV

### THE PROBLEM OF LABOR; POST-BELLUM CONDITIONS

SIXTY years ago there was a theory in our land that the laborer (at least, if his complexion were dark) was a commodity — like the mule before the plow. In four years of fierce war this doctrine became extinct, but was succeeded by this assertion: "Labor is a commodity." The manual workers of all civilized nations organized to combat this doctrine; and today there is no question that they have reached a large measure of success. In any event, since labor, in the skin of a laborer, has always been able to suffer, and has now demonstrated its ability to think, vote, and fight, it must be conceded that, even as a commodity, it displays distinctive features.

The years 1915-1920 will probably be marked with a white stone in the annals of manual workers. The abundance of work and the dizzy heights reached by wages have upset some favorite theories and raised some questions.

For instance, it has been demonstrated that, when wages go above a certain level, the efficiency of a vast number of workers is diminished rather than increased; in other words, high wages do not necessarily go hand in hand with conscientious work. Again, it has been shown that war wages absolutely destroy discipline — hence further reducing output. In no occupation were



these results more startlingly shown than in the manning, stowing, and discharging of ships. Never did crews and longshore gangs receive so much pay and do so little work. There is many a gang working today for from 80 cents to \$1.20 an hour which does not give three square hours' work in an eight-hour day — and can no more be controlled by its foreman than a balky mule.

Witnessing the open and defiant loitering of such men, one can but ask himself whether anything short of fear can force most men to do conscientious work. And if the compelling fear of want be removed, who is to do all the hard, unattractive drudgery upon the performance of which our industrial civilization depends? In brief, is there, to the mass of men, any effective spur except necessity? And if so, what is it? Nor does this query apply only to the artisan. All occupations have their full share of deadheads, malingerers, and parasites.

The developments of the last four years in the labor world are the reactions from the previous forty. It was in the vociferous and halcyon days when a dollar a day (twelve hours) was said to be "enough for any workingman"; when labor organization was denounced as red revolution; when "the public be damned" was the cornerstone of railway philosophy; that there was sown that wind from which the whirlwind of today is being reaped. It is a pity that those who did the sowing should escape the harvest. The demand of ten dollars' pay for six hours' work is a natural reflux from the demand of twelve hours' work for one dollar pay.

For years it has been obvious to any man who could think straight that there could be no substitute or equivalent in our industrial civilization for contented and willing workers; that labor was not receiving a

square deal; and that, whenever conditions should bring on a general crisis in the relations of capital and labor, a violent readjustment was inevitable. This was the constant preachment of the late Theodore Roosevelt, who respected the rights of both labor and capital, and who labored ceaselessly to encourage a spirit of mutual understanding and conciliation. This is not the only policy of that statesman which time has justified. In such a spirit appears the real hope of industrial peace; for, if anything has been demonstrated in the years just past, it is that high wages no more solve the problem of labor discontent than high profits destroy profiteering greed.

It was inevitable, when a dozen governments were appealing to the artisan classes, assuring them that the fate of civilization hung upon their industry, that those classes should draw the inevitable inference. Nor was it they who started the "profiteering" that was the disgrace of the late war. It was natural, however, that the so-called "working classes" should see their own opportunity and use it.

It should be borne in mind, however, that war wages never increased as much as war freights. The former were multiplied by two, three, or four; but freights and some other things were multiplied by ten, twelve, fifteen, or twenty. The "working classes" were by no means the most greedy in the scramble for war profits. (Which suggests David Harum's remark, that "there is as much human nature in some folks as in others — if not more.")

Neither did it take very much thought for the workingman to deduce that, if he were so essential in time of war, he might have been somewhat undervalued in time

of peace. Hence wages are, on the whole, higher than they were in 1918; and the worker is doing less work and spending more money than ever before.

Most of this talk about higher wages being required because of the high cost of living is now pure nonsense. The fact is that the wage-earning classes never in history had so much surplus money as they have now, or "blew it in" with so much delirious imbecility. Years ago some inspired idiot advertised himself by lighting his cigar with a thousand-dollar bill. Today tens of thousands are doing, each according to his means, what is in principle the same thing. Money to burn — and they burn it. "Bray a fool in a mortar among wheat with a pestle; yet will his foolishness not depart from him" — whether he wear overalls and jumper, or a Dunlap and lavender spats.

There is one power, however, that is more powerful than either labor or capital — public opinion; and that in the end is swayed by the class that labors as much as either; and saves a little capital. Years ago organized capital challenged that power by jauntily asking, "What are you going to do about it?" Capital got its answer — after a while. Indications are not lacking that clear thinking labor leaders have learned the lesson. Nothing has been more evident for months than that the labor unions fear to offend public opinion — and that seems to be the only thing they do fear.

All that underlies this situation is of as much interest to the shipowner as to any other employer — more than to most, for labor delays on a ship are more than expensive — they are ruinous.

At present there is apparently nothing for it but to be fair to employees, and then to insist at any cost on a



fair equivalent being returned; any other course produces more trouble than it saves. There will be an end to the present delirium before long; and it may be hoped that, when matters resume the normal, the wage-earner will receive a juster wage than ever before, and make a better use of it than he is now making.

As far as American ships are concerned, they are at a less wage disadvantage than before the war; for foreign seamen's wages are more nearly on the American level. Whether they will tend to still greater equality, or to the old disparity, remains to be seen.

When it is borne in mind that freights are determined by the value of ships and cost of operation, and that the entire cost is in the last analysis made up of labor and service (mental or muscular), it is evident that all the value that accrues between the ore and the active ship is added by labor. For this reason, the old level of freights can hardly return; for labor, having secured so large a share of produced value, is not likely to go back to the old basis. And if labor will not go back, freights cannot.

## CHAPTER V

### OFFICERS AND CREW; BRITISH AND AMERICAN REQUIREMENTS

**T**HE problems that result from the present labor situation are not less, but rather more, acute in ocean transportation than elsewhere. For, in addition to skilled and unskilled workers, such as are employed in most enterprises, there is required an unusual proportion of men who must have had professional training and experience, and without whom ships cannot be handled. These include both officers of the steamer proper, and men of technical training who are needed in the shore end of operation. Competent men for such work are none too plentiful anywhere; but they are particularly hard to obtain for American ships, not only because of the gradual extinction of our deep-sea merchant marine after the Civil War, but because of restrictive legislation, which has increased the difficulties of the whole problem since that time.

Nor is this all. While the demand for seamen has been vastly increased, the supply tends to fall off, owing to the average man's distaste for the service. In most pursuits the ordinary manual worker can obtain more pay, as well as more of personal comfort, safety, and liberty, than can be had in the strenuous life of the sea. It therefore results that there is now greater difficulty than ever before in enlisting men in the lower ranks of service.

At all times the manning of merchant-ships is of only less consequence than the manning of warships in war-time. As governments have employed force to man their fleets (by use of the press gang and similar methods), so the industrial world, to man merchant-ships, has abetted or winked at practices not less subversive of individual liberty. The "shipping agent," ostensibly merely an employment agent, often turns into the crimp who shanghai those who cannot be got aboard by other inducements; thus becoming the peace-time substitute for the old press gang. But, of course, no personnel can now be established, much less maintained, by such methods.

Better quarters, more comforts, better food, better treatment, and better pay will be the world-wide requirements if merchant-ships are to be well manned. These, of course, mean permanently higher freights than under the old scale.

As far as quarters are concerned, builders of the new steamers are recognizing the necessity of treating sailors like human beings. It would seem that pay now, in English and American ships, is ample, even when the high cost of living is considered. Legislation has been attempted here to govern the hours and treatment of crews. Generally, it has been well meant but clumsy. It has tended to impair discipline and to place American ships at a disadvantage.

To illustrate in what unexpected ways legislation may affect efficiency, the following extract from the recent report of a merchant captain is quoted:

Am having a wonderful time with the crew every five days, when the law says we must advance them money. The next two days half of them remain uptown to celebrate ("wine



and wimmen" being apparently cheap), and before they have the effects worn off, another pay-day falls due. All of them are being logged "two for one," but what is that in their young lives? When you earn ("get" is better) \$90 or more per month, and you can get Fcs. 11.50 for a dollar. However, other skippers have nothing on me, for many of theirs are in jail.

When all is said and done, it is as well to face the fact that a permanent rise in all elements of cost is involved in the increased demands and reduced efficiency of labor. The times when the "mate of a Cardiff collier would eat clinker to save waste" have gone for good; and with them the starvation rates of ante-bellum times.

The most serious end of the labor problem is the sea end. The lower grades can probably be filled by the attraction of good quarters, good treatment, and adequate wages. The deck and engine-room officers, however, must have technical training and practical experience; and for the recruiting of this class opportunities for education will be especially necessary in this country. Fortunately, this subject is receiving prompt attention from the national government.

It is claimed by British sailors that American officers are relatively deficient in training and experience. As to deck officers this seems hardly justified. American sailors certainly have never shown themselves inferior in resource and readiness to any others, and the requirements for deck officers here would not appear to differ materially from those abroad. In either marine the ordinary seaman has to put in his time, and work his way up, until he is ready to pass his examination for certificate or license. Before the outbreak of war American ships — what there were of them — paid wages ap-

proximately twice as high as their English competitors. American wages are still the higher, but there is not the difference that there was. In either the American or British marine there is nothing to prevent an intelligent seaman from working his way to a command.

In the engine department, however, there are wide differences in the requirements. The British Board of Trade requires of an applicant for an engineer's certificate of any grade that he must have served four years in a machine-shop engaged in the making and repairing of engines. For the apprentice it is much better that such engines should be of the marine type, because in working on them he learns the inside of his job as nothing else can teach it to him.

After he has had this experience, he may, after obtaining a certificate, seek his first sea service. The best he is likely to do is fourth assistant on a tramp. This is the most useful experience a budding engineer can secure; for when any breakdown occurs, the repairs will call forth all the initiative and resourcefulness of the engineers, owing to the limited repair equipment of the average tramp. On the big liners the facilities are so elaborate that the call for originality is not nearly so great. For an illustration (somewhat fanciful) of what a British engineer is supposed to be capable of in an emergency, Kipling's "Devil and the Deep Sea" is good reading.

After serving as fourth assistant for one year, he may, if he has been in charge of a watch on his first ship, apply for a second assistant's certificate. When he has served in the latter capacity for twelve months, he may take an examination for chief. This is a severe and searching test, and, if the applicant passes it successfully, he is

justified in pluming himself on knowing something about a marine engine.

Apparently all British engineers are of Scotch birth and training. Scotch engineers seem, in fact, as much a matter of course as Italian macaroni or Dutch tulips.

In the United States any person applying for the lowest grade license (third assistant) must have had three years as fireman on ocean or coastwise vessels; or two years' service as oiler or water-tender; or six months as chief or assistant on Lake or Sound steamers; or have graduated from the engineering class of a nautical school-ship; or he must have been a journeyman machinist who has worked on the construction and repair of marine engines.

After a third assistant engineer's license is obtained, one year's service, or either of the following, will qualify the applicant for examination for second assistant:

Six months as chief or first assistant, or one year as second assistant, on Lake or Sound vessels; three years as oiler or water-tender of ocean or coastwise ships. These also are qualified for the examination for second assistant: a graduate of a nautical school or technical school, with three months' engine-room experience; an apprentice who has had three years in a machine-shop and six months in an engine-room; a locomotive or stationary engineer with six months in the engine-room of a steamer; or a stationary engineer who has spent one year in a 1,000-horsepower plant.

A year's experience as second assistant qualifies for the examination for first, and a year as first for the chief's examination. In each case, however, there are a series of alternatives, similar to the above, which we



will omit. Their comparative value can be estimated only by trained engineers.

It will be noted that the American requirements are much more flexible than the English. For one thing, the Englishman can apparently not escape the four years in a machine-shop; which would appear an advantage to the lay mind. And, with the conservatism inherent in our English cousins his work is mapped out for him year by year, with no "elective courses" open for his choice. The English (that is, the Scotch) assert that the American requirements produce too many engineers who know only one remedy for a breakdown, and that is to take a tow.

However this may be, there is no question of the value of deck officers of American origin. The only trouble is that there are too few of them. It is history that there have been no more daring or resourceful navigators than those produced on the northern Atlantic and Pacific coasts of the United States. And American captains have the advantage of being at least as honest as those of any other race; which will be regarded as an important consideration by any one who has had experience. A captain who really wants to rob his owners can come very close to getting rich in one year of war traffic; for his freedom of action when away from his home port is necessarily almost complete.

The log of a master of an acquisitive type frequently shows a creative ability such as one expects to find only in autobiography, political platforms, oil prospectuses, or other high branches of imaginative fiction.

With the growth of opportunity and chances of advancement which may be opened by a developing marine,

not only should the proper class of men be attracted, but defects in requirements, if such exist, will be rectified. Meantime it must be borne in mind that we can compel the payment of excessive wages in competitive times only by risking the existence of our merchant fleet.

## CHAPTER VI

### THE BLACK HORSE CAVALRY

**E**XACTING requirements have, by a process of natural selection, given to the shore end of the shipping business a personnel hardly inferior to that of any other commercial vocation. The complexity of the problems involved, the decision and judgment required, the courage and poise that are essential to any permanent success, exercise, in the course of a few years, a selective influence which produces a high average level of character and ability. Occasionally, in this as in other pursuits, the wicked flourish "like the bay-um tree" (as Mrs. Partington might remark), but it is undeniable that in general the personnel of the business is on a high mental and moral plane.

Any one widely acquainted in the permanent circles of the trade either on the Atlantic and Pacific coasts, or in the Gulf, will be able to confirm this from his own experience. The same causes have produced like effects in Great Britain and her dependencies.

One war-time indication of character and spirit is worth recalling. The chartering committees were uniformly chosen from the experienced and active members of the shipping fraternity. Their duties necessarily made them acquainted with the business of their neighbors, and often of their competitors. To pry into the private business of American citizens, and dictate the details thereof, was a hateful thing — hateful alike to



those who performed and to those who had to suffer it. Yet, according to general testimony, few autocratic war powers were exercised with as much conscientious honesty and consideration as this meddlesome and offensive duty.

After the signing of the armistice, these men felt at liberty to resign, and devote their attention to their own proper business; and very generally did so.

At a public meeting in the New York Produce Exchange, the steamship trade proffered its thanks to the retiring members of the New York Committee,<sup>1</sup> with handsome gifts as testimonials of respect and admiration for the manner in which their difficult task had been discharged. This was typical of the spirit that was much in evidence in the steamship business, North and South, during the war; an attitude of cheerful submission to necessary authority, and of self-abnegation, that was altogether admirable. Not only did many who held positions of high responsibility and emolument give notable service to the government; but hundreds of others, whose names never even appeared in print, voluntarily gave up their business and incomes, and served in positions — both civil and military — that brought them little but a sense of duty well performed. Despite the disintegration of moral fiber which war-time avarice and greed always produce in commercial communities, the real shipping trade of the country need offer no apologies or excuses for the record of its members, at home or in the field.

But there is another side. There came into the trade,

<sup>1</sup> The personnel of this committee of three was Welding Ring, chairman, A. C. Fetterolf, and J. B. Smull, all being men of standing and experience.

early in 1915, a very different kind of men. The meteoric advances in all shipping values that almost immediately succeeded the outbreak of war, together with the gambling chances in war freights and tonnage, attracted a class of recruits never before seen in the business — at least, in this generation. This sort would never succeed in the steady disciplined work of peacetime shipping routine. But when old ships, bought at four and five times their original cost, could clear their war-time price in one or two voyages; when any man who could offer tonnage or room was besieged with applications night and day; when any freight rate asked was eagerly paid; these people flocked in by the hundreds and thousands, paying prices and taking risks that caused the most experienced members of the trade to stand aghast. And, in the slang of the day, many "got away with it."

By no means all were crooked or ill intentioned. Many simply were untrained. They were as honest as the average. They occasionally referred to the lower hold of a ship as "the basement"; they were rather a nuisance to the regular trade by their talent for getting trades wrong end first; and they were frightful wasters of the time of busy men; but otherwise they did little harm and meant none. Some of them made good, some of them fell by the wayside; and the fate of others is still in the balance.

But there were still others. Every considerable war brings its horde of camp-followers into the economic as well as into the military field. This class is chiefly composed of the adventurous, conscienceless, and predatory. Patriotism is to them merely the best temporary disguise for scoundrelism. They are of the class who in-

vented the paper shoes of the Crimea; cost Simon Cameron his position in the Civil War; and brought infinite discredit upon the government in the war of 1898.

In the Great War this class abounded in every branch of commerce directly tributary to war activities; but in none was it more pestilential and shameless than in shipping. Men who knew nothing of ships or freights or trades, but who were possessed of a native instinct for rascality, played such fantastic tricks before high heaven as may or may not have made the angels weep, but certainly made men gasp.

They came alike from the East and from the West, from the North and from the South; endless in variety, but uniform in one thing — every man had a scheme in which he should get the profits while some one else was to take every risk — except the risk of getting his money back. They were the spillings of all kinds of pursuits and professions — lawyers who had been disbarred and lawyers who ought to have been disbarred; shrewd Yankees from the home of the wooden nutmeg and the hickory ham; “busted” promoters; ex-teachers and ex-preachers — the clan was recruited from all who were distressed in mind, body, or estate.

This flotsam and jetsam formed a sort of “lunatic fringe” on the regular business circles, constituting a band of financial free-lovers who saw in every man’s property a possible affinity; who were an infinite hindrance to the efficiency of our merchant fleet, not only by their blundering mismanagement of ships rashly intrusted to their care by the inexperienced, but by the cruel and conscienceless knaveries at which they were adept. Dishonest devices that evade the penalties of the statute law are as variegated as the human mind;



but it may be interesting to cite two or three striking cases of war-time roguery.

In the first year of war a certain vessel, which we will call the *Snowden*, was en route to New York. She was under charter to carry a cargo from New York to Spain at a freight of \$10 a barrel; but before she had arrived at her loading port, freights had advanced to \$16 a barrel. This advance was largely due to the war insurance rates, which had risen violently on increased submarine risks.

The charterer had his cargo bought and awaiting the ship. His insurance had been covered before the advance, but was of course good only on cargo shipped per *Snowden*.

At this point there stepped into the game one of the Black Horse Cavalry before referred to, and whom we will call A. A secured from an acquaintance, B, an agreement to provide \$130,000 cash for "a shipping venture." With the aid of this money a moribund corporation in which A was interested purchased a controlling interest in the *Snowden*. That interest was then sold to B, who had been kept in ignorance of the facts. B then, being an innocent holder for value, possessed a clear title (or this was the theory of the transaction) which he could transfer to a fourth party.

The moribund corporation then bought back the controlling interest which it had previously sold, and thus, according to A's view, controlled the ship, freed from her unperformed charter. The corporation now re-chartered the ship for similar business at \$16 a barrel, leaving the original charterer to escape from his predicament as best he could. This caused him a loss of about \$100,000, due not only to the advance in freights, but because in-

surance cost was increased by no less than \$50,000 over the policy that he had arranged for the *Snowden*, and the cargo had gone out of condition by long exposure on the wharf.

In the litigation that ensued, the unfortunate charterer testified that all summer, while his cargo lay on the dock, he was refused information as to the ship, and was never told that she would not perform the charter. He could not even learn whether the ship had changed hands until the scheme had been executed, when he was told by a clerk in A's office to "go to hell." To record that this ingenious cut-purse is still at large seems irreverent — almost a denial of divine justice.

It would seem that for such wrongs as this there should be remedy at law. The trouble with most of these kleptomaniacs is that they are financially so irresponsible that one may "sue a beggar and catch a" — cootie. The immoral advantage of those who have neither reputation nor money to lose, in dealing with those who have both, is obvious.

Many of these "fly-by-nights" (as they came to be known) advertised themselves as "ship and freight brokers." For their occupation they lacked the two main requisites — an acquaintance with either buyers or sellers, and a knowledge of the wares dealt in. But one point they grasped thoroughly — that if they could name a trade first to a buyer, seller, or broker, they could clamor for a share of commission in case the transaction went through. It resulted that some of these alleged "brokers" were flying around like whirling dervishes, madly offering ships for sale or room for hire, without authority and often without knowing more than the name of the vessel, if that. They were merely taking

a chance that something might happen on which they could base a commission claim.

At least one of these gentry succeeded in making a sensation. He made a firm offer to sell a ship to the man who already owned her.

A common device among these "brokers" when freight room was almost unobtainable was to engage all the freight room that they could induce ship agents to give them, and then relet at a profit. In case they failed to relet they simply defaulted, giving any plausible excuse therefor that occurred to them. After the government assumed control of ocean freights, and rates were kept below what shippers were willing to pay, these genial freebooters made money on such speculations as above by collecting from the shipper the surplus freight which the government would not permit the ship to accept.

The game of "heads I win, tails you lose," was also freely played in charters — and successfully, as long as freights continued to rise. When they started to decline, however, there was another story.

As a demonstration that truth is not the only thing which, crushed to earth, may rise again, the case of the steamer *White Deer* is interesting. About the time of the coal strike this steamer was chartered from an Atlantic to a European port to carry a general cargo. As the charter freight was a large one and the credit of the charterers limited, the following provision was inserted: "Charterers to provide owners with a satisfactory bank guaranty for the full performance of this contract, on signing of this charter."

This guaranty the charterers, after some delay, acknowledged that they could not furnish; and suggested



a surety bond, which the owners agreed to accept. After further delay the charterers admitted that they could not furnish any bond. The owners, therefore, notified them that, owing to their default, the charter stood canceled; and that they (the owners) would lay the ship on berth for their own account.

The following correspondence then passed:

Messrs. J. Doe & Co.

New York, N. Y.

S.S. *White Deer*.

*Gentlemen:*

It seems that after you realized the amount of freight we had you were unable to resist the temptation of endeavoring to get the profit to which we were justly entitled. It is true that after you thought you could grab the freight you suggested a new condition involving a large bond; and the writer told you that he might be able to get such a bond; in no way waiving, however, our right to compel you to comply with your contract. He did ask a trust company if it would give such a bond, and it stated that, under the laws of this State, it had not any authority to do so; and then again insisted on your complying with your contract, which you failed to do.

It is certainly our purpose to hold you responsible for any loss that we may have sustained; likewise any profit that you may have made by having abrogated your charter party without any cause.

Yours truly,

R. ROE & Co.

To which the owners replied:

Messrs. R. Roe & Co.

New York,

Addressed.

November 21st, 1919.

Your allegations of November 20 have arrived; upon them we forbear comment.

Restrained by commercial proprieties from properly stigma-

tizing your insolent mendacity as it deserves, the present is only to inform you that we decline all future correspondence with you. With persons of your mental and moral caliber argument will evidently be a waste of time. Any future communication about this matter may be addressed to our counsel.

Yours, etc.

This seemed to produce a hiatus in the correspondence.

Then there were the gentlemen who wanted highly paid positions for friends — generally for a 10 or 20 per cent. commission from the friend in case of success. Many of these were so crooked that they could hide behind a corkscrew without personal inconvenience.

One gentleman (with a reputation for being anything but quixotic in his commercial ethics) was presenting the name of a candidate for a highly paid technical position requiring both training and experience. Being asked what he knew of the candidate, he replied:

“What do I know of him? Sir, I have known that man ever since he was as high as my knee. I can tell you all about him, sir. He is a nephew of my wife. You ask me what kind of man he is? Sir, I will tell you what kind of a man he is. To prove what kind of man he is, sir, I’ll tell you how I feel about him.” (*Sic.*) “Sir, if I had a million dollars, I would gladly put it all in that man’s hands without a cent of security. And his mother! I have known her ever since she was a little wee bit of a girl. Sir, when that woman was twenty she was the loveliest human bein’ I ever laid eyes on. She was the toast of the county — yes, sir, and of the State. What’s that, sir? How much does he know about shipping?” (*Pause.*) “Well, sir, I can’t

tell you how much he knows about shipping, but — he is a Southerner, sir, and thurfo' honest."

To get the full flavor of that last remark, it would be necessary to know the speaker.

One feels helpless before an inundation of this kind of drivel, as well as a certain resentment at being mistaken for such an "easy mark."

Among the Black Horse Cavalry there was a considerable political element who, more or less openly, sought to sell a more or less doubtful political influence. Their offers were always couched in guarded phrases, and their meanings were usually conveyed by inflection.

All these men were honest. One could not fail to know this, because they admitted it; they asserted it openly and repeatedly; parading, so to speak, their naked integrity before comparative strangers with a frankness that often reached the level of immodesty. They had no more reserve than an underwear catalogue.

The exordium of a road-agent of this class was apt to breathe the spirit of Senator Sorghum, sometimes softened and refined by the accent and manner of Colonel Carter of Cartersville.

"Mr. Starr, sir, I am delighted to have the pleasure of meetin' you, I can assure you. Our mutual friend Mr. Blank has given me this card, sir, thinkin' that I might perhaps be of service to you in your business at Washin'ton. But, sir, before we go into business matters you-all should know what kind of man you are dealin' with. I feel like I had rather never do any business with you at all unless you are sure of one thing; and that is, that when I say anything, you-all can absolutely depend on it. If you-all can't feel that way, sir, I feel like I'd rather stop right here and now. That is



the kind of a man I am, sir. I hold nothin' back; I put all my cards absolutely on the table. Some people don't believe in playin' the game that way; but that is the only way I have ever played it, or ever will. That is the reason, sir, that I am able to be of service to my friends. I have no pull — no, sir. I don't say I have any pull, sir. But ” (*marked fall in tone*) “ I have friends in the city of Washin'ton who know me, and who know that I would rather cut off this right hand, sir ” — *stretching it out* — “ than say one word that ain't absolutely true. And so they trust me, sir; and I want to say to you that no livin' man ever knew me betray a friend. That is why ” (*confidentially*) “ through my friendship with Secretary So-and-So and Senator Asterisk (who I have known, sir, ever since we was boys together) I am able to get what no other man in this town can get at Washin'ton, pull or no pull. And of course, sir ” (*bland smile*), “ if I place my ability and experience at your service, I feel like you will be willin' to reco'nize it in a substantial way. Am I right or wrong? ”

Such naïve, doll-eyed rascality irresistibly suggests Gilbert's bad baronet whose hands were steeped in infamy, but whose heart was “ as the heart of a little child.”

It should not be understood that this type of rascal was peculiar to the South. The Northern or Western equivalents were very much in evidence; and, with no better commercial morals, were distinguished by much inferior manners. For this reason, among others, their Southern competitors were more successful.

Such people are not immoral. To be immoral one must violate one's moral code. But to do that one must

first have a code to violate. These people are unmoral. They have no moral principles. In practice they cannot distinguish between right and wrong. Therefore it is hopeless to appeal to them on any ethical grounds. They have no moral sense that can respond. The only thing to do is to steer clear of them. See Ecclesiastes, Chapter VII, verse 13.

It may be asked, and with reason, why these people were tolerated at all. In reply, it can only be said that in war-time markets, where what would normally be a miracle became the commonplace, the judgment of the whole commercial world became more or less out of balance; and many men ordinarily of sound judgment became envious of the foolish when they beheld the prosperity of the wicked.

## CHAPTER VII

### TERMS AND DEFINITIONS; COMMON PHRASES

**F**OR the information of the reader unaccustomed to the terms familiarly used in shipping, it is desirable to give a partial list of these and to define them.

*Flush deck ship* is a ship whose main deck is a plane surface from bow to stern.

*Well deck* or *three island* ships have their fore-castle, bridge, and poop decks raised above the main deck, so that the hatches are in the "wells" between.

A ship's *gross register* is  $1/100$  of the number of cubic feet contained under her decks. A ship with 400,000 cubic feet under deck would have a gross register of 4,000 tons.

Her *net register* is  $1/100$  of the number of cubic feet under deck available for cargo and for passengers.

A vessel's *class* is the degree of seaworthiness attributed to her, in relation to an established standard by a recognized authority. The authority most valued in the shipping world is Lloyds, London, and the highest rating (or *class*) known is "100 A1 in Lloyds."

Her *displacement* is the weight of water displaced by her submerged portion when she is fully laden; and is in all cases equal to the full weight of the ship and her contents.

Her *total dead-weight capacity* is the number of tons (of 2,240 pounds) that she can safely lift, including bunkers (or fuel) and ship's stores.



A vessel's *cubic capacity* is the number of cubic feet in her cargo space. It is usually stated in terms of bulk grain capacity — as “278,000 feet for grain.”

Her *bale capacity* is roughly figured at 10 per cent. less, and *capacity for general cargo* at 20 per cent. less than grain.

A ship is *full and down* when both her dead-weight and cubic capacity are fully employed.

A ship is *light* when her draft is less than permitted and her free-board greater than required; a loss of revenue from unused dead weight is thereby indicated.

*Charters.* In commerce a charter is a special contract for the letting or hiring of a vessel.

*Charter party.* The written instrument embodying the terms of such a special contract. In it the owner is usually specified as the “party of the first part,” and the hirer as the “party of the second part.” The term *charter party* has reference to the ancient custom of cutting such an instrument in two, and giving a half to each party to the contract.

*Charter freight.* The consideration paid by the charterer or hirer to the owner for the use of the ship.

*Prepaid freight.* Freight payable on the signing of bills of lading.

*Freight on delivery.* Freight payable on the right delivery of cargo at the port of destination.

*Dead freight.* A penalty paid by the charterer to the shipowner for unused cargo capacity. If the unused capacity is cubic, the dead freight is based upon measurement of the vacant space. If it is weight capacity, it is ascertained by finding the number of additional tons that would bring the ship “down to her marks.”

*Lay days.* Days placed, by the terms of the charter,

at the disposition of the charterer, the cost of which is included in the stipulated sum, or rate, of freight.

*Running days.* Consecutive days counted without a break.

*Working days.* Running days with Sundays and holidays excluded from the count.

*Weather working days.* Working days with days excluded on which loading or discharge is prevented by the weather.

*Demurrage.* A penalty exacted from the charterer for the detention of the ship beyond the days conceded by the charter.

*Tendering date.* The earliest date allowed by the charter for beginning of lay days.

*Canceling date.* The last date for tendering under the charter, after which the charterer has the privilege of canceling if he so desires. Customarily the charterer does not have to declare whether or not the option will be availed of, until the ship is actually tendered. The passing of the canceling date leaves the owner's obligation to tender unimpaired, unless the charterer shall voluntarily release him, or unless the charter be subject to rules that stipulate otherwise.

*Despatch money.* A bonus paid by the ship to the charterer for a voluntary shortening of the agreed lay days. It is usually stated in definite relation to demurrage; as, "despatch money to be paid at the rate of one half the amount of demurrage provided under this charter."

*Dunnage.* Wood or other material, laid on the floor of the hold, to keep cargo off the skin and avoid injury to it from water; also to chock or wedge cargo; or to floor off.

*Marks.* The term used to designate the water-line to which the ship may be loaded. On English ships it is shown as the "Plimsoll mark," and consists of a circle divided by a horizontal line cut on the vessel's side amidships. The "summer load-line" marks the highest water-line permitted, and is used April 15 to Oct. 15. "Winter load-line" which obtains from Oct. 15th to April 15 gives more freeboard and hence reduces the weight capacity of the ship.

*Freeboard.* The mean distance between the water-line and the main deck-line, measured on ship's side, which represents the reserve buoyancy of the vessel.

A ship's *immersion scale* is a diagram showing the number of tons required to immerse or put down the ship — at all her various drafts. Necessarily each ship has her own scale.

*Stowage.* The loading of the cargo in the ship. It is adjusted to the nature of the cargo and the draft and trim of the ship. The word is used in another sense to indicate the amount of cubic room occupied by a gross ton of cargo when actually laden in the hold. To say (for instance) that barrel oil stows in 65 feet means that 2,240 pounds of the cargo named will use up 65 feet of the cubic capacity of the ship.

The *measurement* of cargo is the cubic content, which is obtained by taking as factors the length, breadth, and depth of each package.

*Breakage.* The room lost in stowing cargo, *i. e.*, the unavoidable space between packages; and which constitutes the difference between "measurement" and "stowage."

*A-burton.* A term used in stowage when cargo is stowed athwartships instead of fore and aft. When a



cask's heads are parallel with the keel and its bilge at right angles to it, it is stowed "a-burton."

*Small stowage.* Cargo suited by size and shape to fill room that would otherwise be wasted, and breakage. Beam filling is small stowage particularly suited for filling space between beams and immediately under deck.

*Tender or stiff.* A ship is *tender* when her center of gravity is high, making her careen easily. She is *stiff* when her center of gravity is low, making her careen with difficulty.

*Stiffening.* Ballast or heavy cargo used to adjust the ship's center of gravity, and trim, to her needs.

*General average.* A contribution levied on ship and cargo to make good a voluntary, authoritative, necessary sacrifice which has saved imperilled property from a common danger. The contribution is levied *pro rata* on the underwriters of the involved property; or, if not insured, upon the owners of such property. The term *average* here is used rather in the sense of the French *avarie* (which may be translated "damage"), and means damage or sacrifice which is for general or common account.

*Particular average.* Loss or damage incurred when the general safety is not in question. Particular average is borne by the insurer of the property in question; if uninsured, by the owner of such property.

*Jettison.* The throwing overboard of cargo, to lighten the ship in case of peril.

*Common symbols used in insurance are:*

F. P. A. *Free of particular average.*

F. P. A. E. C. *Free of particular average English conditions.*

F. P. A. A. C. *Free of particular average American conditions.*

T. L. O. *Total loss only.*

P. P. I. *Policy proves interest.*

P. & I. *Protection and indemnity.*

*Demise.* That provision of a charter which temporarily transfers the ship in fee in the charterer; in place of merely transferring the use of the ship, while the title, and the consequent rights and obligations, remain with the owner.

*Force Majeure.* Any irresistible natural cause which cannot be guarded against by the ordinary exertions of human skill and prudence. Hardly to be distinguished from the "act of God."

*Usance.* The time between date of presentation and maturity in foreign bills of exchange.

*F. o. b.* Literally "free on board"; properly meaning free on board export ship at port of embarkation. But, like many other phrases, its meaning has been frittered away until the mere term "f. o. b." is not enough. To be exact, one should now say "f. o. b. cars at Rochester," which would mean that the buyer must pay freight at New York and extra cost of delivery, if any; "f. o. b. cars at New York," where the seller would have to pay freight, but the cartage or extra cost for delivery to ship would fall on the buyer; "f. o. b. buyer's ship at New York," which would mean that the seller must put the goods within reach of tackles of a ship named by the buyer, free of expense to the latter. An experienced exporter would specify "properly packed for export, and delivered f. o. b. export ship at New York," always

assuming they were not bulk goods. It would be a queer kind of cargo that that would not cover.

*C. & F.:* "*Cost and freight.*" Often the foreign buyer has his goods covered under an annual blanket policy, so that he regularly arranges his own insurance. In such case he would buy his merchandise C. & F., arranging with his underwriters to guarantee to the Exchange bankers that the shipment was properly insured.

*C. I. F.:* "*Cost insurance and freight.*" Signifying the most usual terms on which export business is done in normal times. Cable offers (except otherwise arranged) were almost always done in this way up to 1914; but when the risk of the freight became too great, exporters refused to accept it, and uniformly sold f. o. b. — almost always with risk and cost of delay for buyer's account. The losses of such contracts, which piled up, were appalling, some goods remaining unshipped and on demurrage or storage for more than a year. This generation, it may be hoped, will never see such another condition.

We will turn back for a moment to the matter of capacities:

As some readers may not be familiar with the matter, it can do no harm to devote a little attention to *weight capacity* and exactly what it means. *Weight capacity* must be kept entirely apart from *cubic capacity*. The weight capacity of a ship is the number of tons avoirdupois which she can lift with safety, in addition to her regular equipment.

The weight of the ship and appurtenances is apart from *weight capacity*. Her weight is the number of tons built into her or placed aboard as part of her regu-



lar and permanent equipment. Her *weight capacity* is the number of tons of outside stuff she can lift safely, including bunkers, stores, provisions, and cargo. Now, as any ship will submerge until the weight of water displaced by her immersed hull is equal to her total weight, her "displacement" varies with her condition. If light, it is at a minimum, and equals only the weight of the ship and appurtenances. If loaded to her marks, it is at the maximum allowed by the classification rules, and is, of course, equal to the total weight of the ship and everything put aboard of her, from the captain's tooth-paste to the chain cables.

All this, of course, is distinctly apart from *cubic capacity*, which is simply the inside measurement of the cargo compartments.

Let us glance at the bearings of a few of the common phrases of freighting contracts, many of which may at times be hazy in their application, though familiar to sight and sound.

*Barratry* may be defined as a wilful and unlawful act by the master or mariners of a ship, contrary to their duty to the ship or cargo, whereby the owners of either or both may sustain injury.

Scrutton says (page 203): "Negligence even amounting to reckless carelessness will not constitute barratry. There must be an intention to injure ship or goods. These acts are barratrous:

"Boring holes in a ship to scuttle it, illegal trading with an enemy, or smuggling; intentional breach of port rules, so that ship is forfeited or detained; intentional breach of blockade without owner's authority; fraudulent deviation from course.

"These acts are not barratrous:

“Deviation, unless accompanied by fraud or crime; failure to observe rules of navigation without fraud, though such failure is by statute to be taken as wilful default; stowing goods on deck, in spite of shipper’s remonstrance.

“A wilful wrongful act against the ship or goods, even though with the intention of benefiting the owner, may be barratrous.”

*Berthing and docking.* In America the terms wharf, pier, berth, and dock are more or less synonymously used. The terms wharf and pier are practically synonymous. A dock here should properly be a drydock; and a berth, the water alongside of a pier or wharf where the ship lies to load or discharge.

In England a dock is properly an inclosed tidal basin, with many piers, berths, warehouses, and appliances for loading, discharging, delivering, storing, and transporting cargo. If the Erie Basin had tidal gates (hung to keep the water in, like the lower end of a canal lock) it would be a small imitation of one of the great English “docks,” like the “Royal Albert” or “West India” at London, or the “Tilbury” twenty miles below. The tidal feature is necessary, owing to the great rise and fall in the United Kingdom — twice as much as at New York. Of course, in tidal docks ships pass in and out only at flood-tide.

So, in English usage, the ship may be *in dock* (that is, inside the tidal gates) and not *in berth*.

At New York she would be said to be *at her dock*, which would practically be the same thing as *in berth*.

Over here the obligation to *provide a berth* has been decided not to convey the obligation to provide a wharf. So, in drawing a charter, it is well to say, *charterer to*

*pay wharfage*, if that is what is meant. Do not trust to the general phrases of *providing a berth* or *bearing expense of loading and discharging*.

When a ship has arrived and *tendered ready* to a charterer who is obliged to procure a berth, any delay in designating such berth will be at his risk of paying demurrage or detention damages.

Where a charterer does not assume this obligation, the ship may (by custom of the port or trade) be obliged to bear the expense of delay, without recourse against charterer.

*Readiness.* To be properly tenderable as *ready to load*, the ship must be completely ready in all her holds; be entered at customs; and have all necessary official permits. Such a position constitutes *readiness to load*. Her engines do not have to be ready for sea, and while cargo is going aboard she may make such repairs to machinery or ship as will not impede or delay loading. Readiness to load is not the same as readiness to sail.

*Custom of the port.* In the absence of specific stipulations, many matters of importance may be governed by the practices in vogue at port of loading or discharge, technically known as *custom of the port*. Therefore, a broker who specializes in the contemplated trade may be an important asset in a negotiation where the customs of either of the proposed ports may be unfamiliar to owner or charterer.

One should never agree to be bound by port customs until he has carefully investigated them. Such a bargain would be about as perilous as any that could be made. Always be shy of a tempting rate to a port, or in a trade, of which you are ignorant. It is better to know, before signing the charter, why the rate is so



high, than to learn it with pain afterward. One may be sure "there's a reason."

*Lawful merchandise.* This term does not necessarily (or even usually) exclude dangerous or undesirable cargo, or cargo that may be regarded by underwriters as necessitating an additional rate of premium on the ship itself. Strictly speaking, any cargo not prohibited by law is lawful merchandise. Loaded shells may be lawful merchandise in peace times, while cotton may be unlawful in time of war. It may be unlawful to ship certain cargo unless and until its nature is declared by the shipper; and lawful as soon as that declaration has been made.

It is an excellent rule to have no concealments about the nature of cargo that might cause trouble, and to tolerate none from the other party.

*Stowage.* A shipowner is liable for cargo damage due to bad stowage, but may recover from the stevedore. It is the shipper's duty, if he observe bad stowage, to protest and demand restowage. Should he fail to do this, the fact that he knew of the defective stowage and made no protest would tell against him in case of litigation.

*Good order.* If a clean bill of lading be issued by the owner or his agent, the former may not prove bad order as against an indorsee holding that bill of lading, for value. If a clean bill of lading be signed for goods in bad order, and a letter of guaranty against claims accepted from the shipper, the owner must settle with the ultimate holder of the bill of lading, but will have recourse against the signer of the letter.

The issuance of a document stating the cargo to be in good condition, when it is really in bad condition, is

essentially immoral, since it will deceive (and is usually meant to deceive) the buyer of the exchange as to the value of the collateral attached to the draft.

*Demurrage.* This must be distinguished from damages for detention. The latter may be collectable when demurrage would not apply. For instance, in a case where non-readiness of the ship was due to the charterer's default, lay days could not run until the ship was ready and tendered; and demurrage could not begin until the lay days had expired. But *damages for detention* might begin at once, and would not necessarily be limited by the demurrage rate. The owner might be able to prove larger damages than demurrage would give him, as in the case of a ship that should miss her next charter because of such detention.

*Lien.* The following liens are not supported by *common law*: for dead freight; to the shipowner for wharfage dues; for port charges; for demurrage or damages by detention.

But there may be liens by *contract* for dead freight; demurrage or detention damages; advance freight; charter party freight (as against the holder of the bill of lading); all moneys due the owner of the ship under the terms of the bills of lading; fines; expense; or loss caused by the shipment of dangerous goods without notice. Also for:

(a) All previously unsatisfied freight and charges on other goods due in respect of any shipment by any steamer or steamers of the same line from either shipper or consignee; such lien to be made available at the shipowner's option, by sale or otherwise.

(b) When the goods are carried at a through rate

of freight, the inland proportion thereof, together with the other charges of every kind (if any), are due on delivery of the goods to the ocean steamship; and the shipowner or his agent shall have a first lien on the goods, in whole or part, until the payment thereof. (See Scrutton, page 361.)

*Seaworthiness.* The owner's guaranty includes the essential efficiency of the ship to meet the ordinary perils of the voyage, in hull rigging, personnel, machinery and appurtenances; trim and draft, including a sufficiency of coal and stores; and the proper stowage of the cargo.



## CHAPTER VIII

### THE CARGO CARRIER; PASSING OF THE SAILER; VARYING TYPES OF STEAMER; OIL AS FUEL

**I**N considering the ocean transportation of the future, it will not be necessary to take up the matter of sailing vessels, except for a brief summary of the causes of their disuse. To understand some recent developments regarding sailers, it will be well also to touch on the matter of wooden ship construction.

From early times wooden ship construction was an art of no mean order; but it was pursued along unscientific lines; and as the size of ships increased, the only way of testing was to send the vessel to sea, and note the weaknesses developed by stress of weather, which is the only infallible judge of a ship's strength.

Early in the last century competent builders began a systematic study of scientific ship construction, and gradually evolved a set of rules governing ship-designing from truck to keel. Thus in the course of time dockyards were able to construct a vessel of limited dimensions with a fair degree of success.

The demand for larger units rang the knell of the wooden ship when it was found that iron and steel could be used for hull construction. For in a wooden ship every joint is a weakness; while the art of riveting eventually reached such perfection that an enormous liner could be as strongly built as a thousand-ton tramp. Improvements in the marine engine also played a large

part in the displacement of the wooden ship. No wooden ship ever built could stand the thrust of the high-powered engine of today. It resulted that within two generations the old-fashioned shipwright almost ceased to exist. A few remained who built the large wooden schooners used chiefly for United States coast-wise trade. These, with their sails handled by winches, thus greatly reducing wages and subsistence, were able to maintain themselves.

A number of steel square-riggers (ships, barks, and barkentines) chiefly Scandinavian, also survived, being put in commission when rates permitted, and laid up in the intervals. The brig and brigantine, hopelessly left behind in the struggle, passed from the sea.

The following are the chief types of sailers, some of which are now almost unknown to a majority of people:

A ship is a vessel of three or more masts, all of which are square-rigged.

A bark is a vessel of three or more masts, at least one of which is fore-and-aft rigged, but a majority are square-rigged.

A barkentine is a vessel of three or more masts, of which at least one is square-rigged, but a majority are fore-and-aft rigged.

(In such ships the square-rigged masts are always forward and the "schooner sails" aft.)

A brig is a vessel of two masts, both of which are square-rigged.

A brigantine is a vessel of two masts, the foremast square and the mainmast fore-and-aft rigged (sometimes called "Hermaphrodite brig").

A schooner is a vessel of two or more masts, all of which are fore-and-aft rigged.

In the tonnage famine produced by war conditions, most of these types returned to the seas in greater or less numbers; but the larger class of steel ships and barks and the four- or five-mast wooden schooners were most in evidence.

When the great war broke out, the demand for any tonnage, and the high freights obtainable, brought back the wooden ship. It seemed no great obstacle that the race of ship carpenters was nearly extinct, and a man who could scarph a keel, cut and fit a knee, set the frames, or square fasten the planking could hardly be had for love or money. Nor was the speculator who dabbled in wooden tonnage at all disturbed by this situation. If he handled a ship that was built to sell and not to sail, he passed along the risk to his unfortunate buyer. He knew enough, at least, not to operate such hulks, or to retain no interest except in the potential "profits."

There were good wooden ships built, but there was an enormous output of vessels that were, in all essential respects, frauds on the buyer. The builders artfully drew the specifications so that all they really had to do was to obtain a certain "class." This they obtained somehow — anyhow — at the least possible expense of wages and material.

The buyer paid on the basis of dead-weight capacity, so the nearer the hull approached the "bandbox" construction, the more money the builder "earned." Hence it was no surprise, to men who knew, when some ships *hogged from two to four feet at launching*.

One of these ships is thus described by the consulting engineer who inspected her after her first voyage, and who supervised her repairs:



The conditions displayed were hardly credible. The wooden pegs which were supposed to be tree-nails were standing out in the hold like porcupine quills. The butts had opened out one to one and one half inches. Standing in the center of the hold, it looked as if the two ends were going to drop off. No care had been taken in the distribution of scarphs; in some cases a dozen scarphs or butts would come within the space of a few feet. No waterway or drainage had been cut in the frames; each space between frames was thus a well in itself. The water could not run back to where the pumps could reach it.

The supposed tree-nails were not put through the vessel, but simply driven two to four inches into the frames. In other words, they were "dummy" tree-nails. The iron fastenings were only about one half the number required; many were too short, and nearly all too light. A more sinister display of human avarice and depravity it would be difficult to conceive. No old-fashioned shipwright would have stood for such work, nor caused his fellow men to risk their lives in such a maritime abortion.

The builder apparently cared naught for that, as long as he could hire a gold-brick merchant to go out and unload the hulk on some innocent investor. And this could generally be done. He was a true philosopher who once remarked on the fascination that enhalos the genuine dead-beat.

With the decline in freights that has occurred since November, 1918, sailers are already disappearing, and the demand for them is greatly reduced. Their second and probably final retirement from deep-sea business is only a matter of time, and not a very long time at that. For coastal business of a certain class, and special trades, their use may be prolonged.

As to steamers, there are nearly as many types as

there are trades. To describe a ship as a steamer is as accurate as to call a male adult a man. Both are right as far as they go, but neither is specific enough to form the basis of any valuable judgment.

Each ship is more suitable for some trades than for others. For instance, she may be perfectly adapted to the coastal trade, but quite unsuited by size, draft, fuel consumption, or build for transatlantic business.

The short-shafted lake steamers which are now so common a sight are doubtful quantities on the winter Atlantic, having been built only for summer trade on the Great Lakes.

The "swell" passenger steamers would be almost as unfit for freighters (even if altered) as the average freight steamer for passenger service; for the one is built for speed, with little regard for fuel consumption or cargo capacity; while, with the other, capacity and economy of fuel constitute the builder's greatest problem, and his success is to be mainly judged by their relation. The most successful freighter is the one that can carry the most cargo at the highest speed on the lowest fuel consumption. Any shipping man who saw the little Baltic traders in New York harbor for the last few years would have known, from their presence alone, that freights must be abnormally high; for, when the necessary room for bunkers, stores, and crew accommodation for transatlantic voyages were deducted, only an enormous rate could have made the room remaining for cargo produce enough revenue to pay expenses.

Again, steamers of more than certain dimensions, or having more than a certain draft, are excluded from ports where the depth of water or other accommodations are insufficient, while the small and light-draft

boats, owing to restricted capacity, cannot compete with the large economical freighters that ply to the larger and more important centers. Steamers that have large cubic but small dead-weight capacity are profitable for cargo that might not pay in ships of small cubic but large dead weight. Hence we find ships variously described as good cotton or lumber carriers, good grain ships, good for heavy ore or other dead weight — and so on; for there is no end to these variations.

One thing may be taken for granted: that nearly every question of profit and loss in operating a steamer comes back to the fuel consumption per ton mile. Before all other things, her fuel space must be reserved, and the room taken by coal, or the dead weight used in carrying it, is of course to be deducted from the revenue-paying capacity of the ship. Where (as during the war) freights are high and vessels must fuel for "out and home," the cost of this is enormous.

Let us take the war-time situation of a ship bound for Genoa, fitted to burn either coal or oil. Coal cost about \$7 a ton, and she needed 1,200 tons for the round trip — say \$8,400. Oil cost \$15 a ton, and she required 800 tons — say \$12,000. In spite of the greater initial cost, that ship could not have afforded to burn coal even if it had been free. For with oil she required 400 tons less fuel and consequently could carry 400 tons more cargo. The rate to Genoa at that time was \$80 a weight ton. Hence there was \$32,000 revenue gained on dead-weight cargo alone. But as coal would take up cubic space otherwise available for cargo, while oil could be carried in ballast tanks, there was also a large gain in cubic. With light cargo this extra cubic and weight capacity might have easily been made to yield \$50,000.



Hence the ship could simply not use coal to advantage.

But note again that, with a continuous decline in freights, a point might be reached where the ship would have to burn coal. The following will show the result with coal and freights much lower and oil unchanged. Take coal at \$3 a ton and freights at \$3.50 a ton, with the ship bunkered for only one way. In that case the account would stand thus:

Oil, 400 tons at \$15.....	\$6,000
Coal, 600 tons at \$ 3.....	1,800
	<hr/>
Difference in favor of coal .....	\$4,200
Loss in revenue — outward freight — 200 tons weight at \$3.50 .....	700
	<hr/>
Net gain by burning coal (one way).....	\$3,500
Or say \$7,000 for the voyage.	

The cost of stoking coal (which with oil fuel practically disappears) should also be considered, as well as the possible gain in cubic mentioned above.

These illustrations are given merely to show the principle involved, and both cases are extreme. The net results must vary with every change in the price relation of coal and oil to each other, or of freights to either or both. But the figures will serve the purpose for which they are intended — to indicate why, unless the present indications are very misleading, oil is likely to be the preferred fuel of the future. Nothing but the failure of supply to keep pace with demand seems likely to dislodge it from its position of vantage. If the newly discovered oil in the British Isles proves to be of suitable quality,

another big impulse will be given to the oil-burning steamship.

The establishment of oiling stations presents no more serious difficulty than that of coaling stations — perhaps not so serious. All in all, the tanker seems likely, in increasing measure, to displace the collier.

## CHAPTER IX

### THE FREIGHT STEAMER; EVOLUTION OF MODERN TRAMPS; ECONOMIES AND PROFITS

**T**HE shrewd owner of tramp tonnage, before deciding upon the class of vessel he will build or purchase, carefully studies the trades in which he hopes to operate, and endeavors to get something that will surpass the performance of his competitors.

Unlike the regular liners (where everything is cut and dried), he has to consider the world's competition and secure tonnage that will most nearly approach the requirements of the most exacting time charterers, on whom he must very largely rely for employment.

In normal times, the difference between a profit and a loss depends chiefly on the suitability of the vessel for all-round trading purposes; her equipment for inexpensive and quick handling of all classes of goods; large cargo cubic capacity, open and free holds, and large hatches; light loaded draft; low net register; ability to make long sea voyages in her own water ballast; the fuel used (oil or coal); type of machinery and boilers; economical speed at sea; number of crew required for operation. This makes choice of the most suitable type of vessel for all-round trading purposes a difficult one, particularly when one considers the many modern improvements that have lately been introduced.

When rates are low and tonnage plentiful, time charterers look around, pick and choose, and select the boat



that will give them the best results. For such a vessel they are always willing to pay a little extra, even in dull times. Unfortunately, ships cannot be expanded and contracted according to the prevailing conditions at any particular port; consequently, the aim must be to get something that will most nearly meet all the probable exigencies.

It was between twenty-five and thirty years ago that the sailing vessel, by reason of its slowness and unreliability, began to be supplanted by tramp steamers for long hauls, and anything propelled by steam found a ready market; since merchants could calculate, within a short period, the time of arrival of their goods at any particular port of discharge, and secure the advantages of the prevailing market.

With sailing vessels as their only competitors, the question of sea speed for a tramp steamer did not receive very serious consideration; consequently, all of the early tonnage was dull and slow, speed being made altogether secondary to carrying capacity. The old-fashioned yacht-like lines of the clippers were completely abandoned, and new formations took their place. The rise of floor practically vanished, and the block coefficient of fineness was raised from around .67 to .88, in some instances even higher; or, in other words, the ship water lines were designed to nearly approach the square block formation. To try and drive such a hull from 8 to 8½ knots an hour in smooth water was simply a waste of energy; consequently, the boat jogged along at a go-as-you-please speed, and at the end of a long voyage the average would not work out more than from 6 to 6½ knots an hour; but even this speed enabled the tramp to make her port in better time than the old-fashioned

sailing vessel. However, these conditions could not last, and merchants began to call for more speed.

Some fifteen years ago, when competition became very keen, the wide-awake shipowner saw his opportunity, and went in for better and larger tonnage of greater speed, with all the latest improvements in machinery and boilers. It was found that a model could be designed, with a finer hull coefficient, which would be able to carry relatively the same dead weight at a higher speed on the same coal consumption; consequently, the owner of such a ship had no difficulty in finding a ready charterer for her at all times, and the old-fashioned tramp was relegated to the place from which she had ousted the sailing vessel.

Another factor must affect the type of tramp steamers henceforth. Ocean passenger liners are no longer purely carriers of passengers and fine goods at fancy rates. They are fitted in every detail to handle the largest, roughest miscellaneous kind of cargo, equipped with gear for quick handling, and have the advantage of a great organization at both ends for collecting cargo and giving quick despatch; therefore, if he is to meet the liner's competition, these facts must be considered by the tramp ship owner when seeking employment for his tonnage.

We might here consider some of the types of boats built, and being built, for the United States Shipping Board. Most of these vessels were constructed as a war measure, regardless of cost at a time when the question of suitability for any particular trade had to be more or less disregarded — the need being to get ships, and still more ships. Hence, from an owner's point of view, many of these boats cannot be classed as suitable for all-

round trading. They served their purpose in time of war, but in peaceful traffic they will be compelled to face the world's competition in the open market, which will be a very different story.

Some of these boats will be developed into first-class all-round traders; some must be permanently classed as undesirables, on account not only of their hull construction, but of the class of machinery, boilers, and other equipment used.

Since no one type of vessel is capable of grappling with all the trade of the world, one must make up his mind exactly what end he has in view: whether he is going in for purely coastwise trade (for instance) or deep-sea foreign trade for coal, ore, grain, lumber, or general merchandise cargoes. In each and every case, some distinctive feature will be required in the construction to make the vessel most suitable for that particular trade; for voyages long or short, as the case may be; or for whatever class of cargo may be contemplated.

To decide upon the construction that most nearly approaches the ideal for all-round trading purposes is the problem that most seriously confronts the American shipowner, by reason of the rapid approach of merciless competition for the world's foreign trade.

There is no question as to what is likely to happen when European tonnage resumes its normal condition. The Atlantic trade will undoubtedly return to the liners; and then from 65 to 75 per cent. of the American deep-sea tonnage will require to seek employment on long hauls. This tendency is already marked, and will increase steadily.

With regard to the coastwise trade, that may safely be left in the hands of the home experts, as, having the



shelter of the United States Shipping Laws, their only competition will come from within. But, even here, the shipowners who will be successful in the coming struggle are those who operate the most modern and up-to-date tonnage in the most economical manner.

Before taking up the matter of construction, and the question of tonnage values, it will be useful to insert some general considerations relating to freight prospects, operating economies, and their relation to ultimate profits.

Besides the ordinary running repairs, one must provide for those required by re-classification surveys. These come every four years. The first or No. 1 survey is usually easy and inexpensive. The second or No. 2 survey will be, in ordinary circumstances, but little more than No. 1. But No. 3 survey may be anything, depending entirely upon how the vessel has been kept up while in commission. It is not an uncommon experience for a shipowner to be called upon to pay approximately the vessel's selling value to put her through this survey. These are facts that must be taken into consideration when considering the purchase of new tonnage. For example, if on a steamer of 10,000 tons at \$200 per ton dead weight, 10 per cent. is every year written off the book value, she will still stand at about \$65 per ton dead-weight capacity at the end of twelve years. How this value is to remain under any probable conditions is a question for experts in high finance to answer — and not an easy one at that.

The future of freight rates will be the largest factor in tonnage values. The traffic manager in the last few years has been (as far as merchants were concerned) the man most assiduously courted; but the time has been

when the shoe was on the other foot, and, as sure as the stars are in their courses, the shippers' market is coming more quickly than many people think. The present market is glutted with all kinds of merchandise; but it does n't take many 10,000-ton steamers to make a hole in this pile; then the shipper will take his place on the high stool in the office and discriminate as to which traffic manager he will condescend to interview, doling out favors by giving small parcels of cargo, as he sees fit, to the ship offering the lowest rate.

The following extract from a letter written by a certain shipowner to the captain of one of his steamers might, in view of the coming times, be taken as appropriate, and as showing the close economy demanded by experienced shipowners:

*Captain Quick,*

*S. S. Lightning.*

*Dear Sir:*

I noticed from your disbursements today that you had ordered one dozen oranges aboard. Please understand, I allow no fruit on the table of my steamers. In spite of all that I have written you on this matter, the manner in which you are spending money is enough to make a Christian owner blaspheme.

Now, there is nothing to wonder at in these remarks. If one is going to make a success in the shipping business, this is just exactly the manner in which disbursements or requisitions must be scrutinized. If you trip over the small items, sooner or later you will fall over the bigger ones.

In appointing an agent abroad, see that you get a real agent, and not a man with his office in his hat, who has

to scour the docks to get your competitor to grant him a berth for your steamer. You may rest assured the service that you get from such a man will be dear at any price.

In the operation, another important point is the bunkering abroad. Captains and engineers are always anxious to avoid fuel fever, and, as long as they have a free hand, have nothing to worry about; but when they purchase fuel abroad, at say from \$30 to \$40 a ton, and the ship arrives in a home port with two to three hundred tons in the bunkers, where fuel can be purchased at \$10 or \$12 a ton, then there is something for you to worry about.

In shipping only the diligent will succeed. Golf is a fine game for taking your mind away from business. The more you play, the better your competitor is going to like it — and the more chance he will have to look after what should have been your business.



## CHAPTER X

### THE FREIGHT STEAMER: TYPES AND VALUES

**F**ROM the writer's experience in connection with tramp steamers on long voyages, the shelter-deck type of steamer seems to hold great advantage over steamers with the long bridge forecastle and poop, either single or double deck. He would, therefore, recommend a flush (or shelter) deck vessel for all-round general trading purposes; total dead-weight carrying capacity, say from 8,000 to 9,000 tons; three steel decks; large hatches; open and free holds; loaded speed 11 to 12 knots an hour; loaded draft not exceeding 26 feet; large deep water-ballast tank to enable the vessel to make long passages in her own ballast, and to facilitate despatch in port. Cargo gear should be of the highest class. At least two first-class steam winches and four derricks should be fitted at each hatch; one portable steel derrick for heavy lifts should also be provided.

The advantages of this type of ship are many.

First, large cubic capacity is available when required.

Second, should demand arise for a greater dead-weight carrying capacity, from twelve to fifteen hundred tons additional lifting power could be secured by the simple and inexpensive process of closing up the tonnage openings in the shelter-deck.

Third, with three decks, miscellaneous cargoes for several ports can readily be stowed without expense for separation.

Fourth, the loaded draft is such that there are very few large ports where the ship could not lift her dead weight, always afloat.

Fifth, such ships approximate the economical speed limit for vessels of that type. In a general trader, loaded sea speed is one of the most important factors to be considered. But, while it is always present in the mind of the time charterer, it is potent with him only to the limit of commercial profit. He will not pay a fancy charter hire merely to save a few hours on a long voyage. The expense of bunkers must be considered. Briefly, there is a point where the extra expense for fuel neutralizes the advantage of the extra speed secured. This varies with the ship and the trade, and beyond it no owner should attempt to go.

Any vessel of this class that can maintain an average sea speed of, say, twelve knots an hour on a long voyage, through good or bad weather, has very few competitors outside of the regular cargo liners, where speeds ranging from fourteen to fifteen knots an hour have been accomplished. Even these boats are few, and are generally for special cargoes between specified ports. But when conditions arise that do not warrant such speeds, the owners quickly decide to cut some of the boilers out of commission, make some modification in the machinery, and bring the speed down to the economical limit, say somewhere about ten knots.

To illustrate: Some years ago a London shipping company built a cargo steamer, of about 5,500 tons dead weight, for special work, with a speed of about eighteen knots an hour. She made only one voyage a year at this speed, from India to a United States port, to put the first of the new crop on the market. For this she

secured a special high rate of freight. After completing that voyage the vessel was drydocked, her propeller changed, some modification made in the engines, some of the boilers put out of commission, and the speed reduced to between ten and eleven knots. Was she a success? No; because a steamer develops the highest efficiency only when run at the speed designed.

Speed means power, and power means fuel along very definite lines. For example, a vessel that requires approximately thirty tons of fuel to drive her ten knots an hour will require fifty-two tons to drive her twelve knots, and seventy-two tons to drive her fourteen knots; and so on until she reaches a point where, no matter how much fuel is consumed or how much power developed, she will not drive any faster. Hence, the necessity of a definite idea of the most efficient economical speed before building or purchasing.

The question of the most economical all-round propelling machinery requires very careful consideration by reason of the many changes that have recently taken place. Practically the whole of the vessel's efficiency, and hence her success or failure, depend on the machinery. One may have a high-class hull and cargo equipment, but if defective machinery prevents immediate availability the moment the cargo is out, a heavy loss to the owners ensues. Time charterers are cold-blooded and have no sympathy with a lame duck; so that it is most important, when building or purchasing a vessel, to see that the engines are of the most reliable type, even at the sacrifice of some untried proposition which may be highly economical — or may not.

There have been many new modes of propulsion introduced lately — with more or less success (mostly less).



Failures have been many, sometimes due to faulty design in the machinery, and sometimes to the human element; but the nearer one gets to a fool-proof machine, even at the sacrifice of a little economy, the better the results will be in the end. One can, therefore, without hesitation, recommend the single-screw quadruple-expansion reciprocating engine as being the most reliable for all-round work. In recent years the tendency has been to multiply the number of auxiliaries in the engine-room until a point is reached where the main engines do nothing but the propelling. Engineers recognize that much of the trouble and expense for repairs comes from the auxiliary failures. Experienced engineers prefer that these be reduced to a minimum; say, separate feed pumps, separate circulating pumps, necessary ballast, and general service pump; together with the pumps for the fuel oil, ash-ejector pump, electric-lighting plant, and a small refrigerating plant for the crew's use. The preceding should be separate. Other pumps, as far as possible, should be on the main engines.

Another important point is to provide an evaporator, of ample size and capacity, able to make up all water losses without having to carry from three to four hundred tons of fresh water in the double bottom, for boiler feed, at the expense of reducing cargo weight capacity.

The old and reliable three-furnace Scotch boilers have few equals as steam generators for sea-going conditions. They require the minimum attention, give the maximum results, and do not require any expert or chemist to keep them in order.

The oil-burners become increasingly popular because they use up less dead weight and (especially) cubic capacity, thereby leaving more for cargo. No doubt they

have these and other advantages, which already are bringing an increased demand for them, particularly for long voyage business.

Oil as fuel, however, has one drawback. It reduces the life of the furnace by probably 50 per cent.; that is, if a new furnace in a coal-burner would have to be replaced after twelve years' use, the same in an oil-burner would have to be renewed in six or seven years.

This is due not only to the intense heat of oil when the furnace is in full blast, but to the more sudden heating and cooling of the heating surface as the oil is turned on and off. The latter is very destructive.

The machinery that does not constantly require repairs, of one kind or another, has yet to be designed. It is, therefore, essential that nothing should be left to chance. Any neglect may lead to having the vessel towed in to some foreign port to effect heavy repairs, often without reliable supervision. The resultant bill for services and repairs may easily be around \$50,000 for work that could have been done for a few thousand. Moreover, to keep a ship lying at a repair-yard is not earning money.

Engineers are frequently asked by prospective ship-owners their ideas as to what price they should pay for new tonnage. Being an ordinary mortal, the engineer cannot see any farther into the future than others, but might from past experience venture a guess, not as to what may be asked from buyers, but what they should pay. One fact must be constantly borne in mind: that the old and experienced shipowners have their extensive tonnage written down to a minimum value out of profits secured in the last five years; and adding a reasonable amount of high-priced tonnage to their old fleet leaves

their average valuation very low, since it has probably been increased by only a few dollars a ton. Instead of their ships standing at \$210 a ton on the books, they are more likely to work out in the neighborhood of \$65 or \$70 a ton. Hence what this class of owners may pay for tonnage is by no means a good general guide. Yet, in view of the still existing high freights, one may take some chances; since there should be time, before freights get back to normal, to write tonnage valuations down to a strictly commercial basis. How long that time may be each man must judge for himself.

There is no property that depreciates in value more rapidly than steamship tonnage. From the moment a ship is launched, she begins to cost money for upkeep. Hence the necessity of annually setting aside, out of profits, from 10 to 15 per cent. of the initial cost for depreciation. Any company allowing less than 10 per cent. on tonnage constructed recently is courting disaster. Conservative practice favors not less than 15 per cent. of the value yearly deducted from earnings for depreciation. The best regulated companies endeavor to have their ships practically written off the books by the end of twelve years, at which time the repairs become burdensome.

This is the time to sell; because after a vessel has attained the age of twelve years underwriters look upon her with suspicion and demand a higher rate of insurance for both vessel and cargo. This is regardless of how she has been kept up or what class she holds. In one way or another, this extra will be up to the ship-owner.

The shipping game is far from new, and its records, over many years, can (like most other businesses) show



a full average percentage of failures. Therefore, it behooves the beginner to keep his eyes open. The mere fact of having successfully loaded and despatched a steamer on her errand does not mean that she can be forgotten until the captain announces by cable his arrival at his destination. From the time the vessel is in his charge she should never be out of the manager's mind. The question of her return voyage or further business should always occupy attention, even to the extent of trying to arrange business months ahead — especially now, when there are such possibilities of a heavy decline in freights. A bird in the hand is worth several in the bush, in the year of our Lord 1920.

The experience gathered in the steamship business in the past five years is not the kind that sharpens the wits. Anybody or anything in the game made money. No matter how many leakages there were, there was sufficient buoyancy left to keep the company afloat. But conditions are now rapidly becoming more normal. Therefore the whole business structure must be carefully surveyed, the leakages stopped, and expense lists placed on a hard competitive basis.

## CHAPTER XI

### BUNKERS AND BUNKERING STATIONS: THEIR RELATION TO MARITIME SUPREMACY

**T**HE space or compartments reserved for coal fuel as well as the fuel itself, are referred to as "bunkers." Spaces regularly reserved for coal fuel are "permanent bunkers"; and spaces available for emergency (such as extra long voyages, or coaling for the round) are "reserve bunkers." Bunkers (called "coal-pockets" if small) are provided with coal-chutes. Reserve bunkers are really deductions from cargo space, as well as lifting capacity. Fuel space in oil-burners is in "tanks"; and the double bottom (which is composed of shallow tanks) is used for the stowage of oil. There is usually a "deep tank" located amidships, which reaches from the main deck to the double bottom and is used as a settling tank. Many ships have tanks in the fore and after peaks. All of these are connected by pipes, through which the oil can be pumped into the settling tank, and thence to heating tanks, then supplied to the furnaces under pressure.

Speaking roughly, an average ship will get the same speed result from two tons of oil as from three tons of coal. Therefore, her sacrifice of cargo-lifting capacity to fuel is 50 per cent. greater under coal than under oil. But, besides this, most of the space used by oil is where she can stow nothing else — *i. e.*, in her double bottom. Hence the great economy of oil when freights and coal are high, as at present. But this is obvious.

The traffic department must ascertain what space and lift are needed for the fuel. In this problem are three factors:

1. Distance to be covered.
2. Consumption of fuel a day.
3. Average speed achieved.

Suppose the ship is berthed from New York to Genoa (a distance of 4,054 miles). She is an oil-burner and gets  $10\frac{1}{2}$  knots out of 24 tons consumption (6.7 barrels to the ton). The calculation then proceeds somewhat thus: A ship of  $10\frac{1}{2}$  knots speed will go 252 miles in 24 hours. In 16 days she will go 4,032 miles. Oil is \$15 in New York and unobtainable in Italy. Hence she must bunker for both the outward and homeward voyage ("bunker for the round"), which would be 32 days' steaming. Allow an extra day for head-wind when returning in ballast, and we have 33 days. But a ship is peculiarly subject to unknown contingencies: heavy weather, engine trouble — who knows what? — and therefore requires a margin of safety. Twenty per cent. is not too much for this. We increase our steaming time by 6 days to 39 days. Since the ship consumes 24 tons a day, she will require 936 tons of oil for steaming between ports.

But we must allow for fuel in port — winches, shifting berth, etc. Call her loading and discharging days 17, and her port consumption, at 5 tons a day, 85 tons. Add this to her consumption while steaming, and we have 1,021 tons as the fuel required for the round, or in round figures 1,000 tons (the 21 may be thrown off, as we have purposely been liberal to the unknown in all this calculation).

For a ship of 7,300 tons total dead weight (say on



summer draft) a fair allowance would be 200 tons for fresh water and 100 tons for stores.

Thus the total amount of weight allowance for the ship's housekeeping will be 1,300 tons, which, deducted from the 7,300 total, leaves 6,000 tons net for cargo — that is to say, for revenue.

The details of bunkering and stores can be handed over to the marine department, in conjunction with whom, as well as with the master, all these calculations will have been made and checked up.

The marine department will, of course, consult the traffic department as to when the fuel shall be delivered. The latter will name the time when it will least interfere with discharge of inward cargo or ballast, or conflict least with the loading of outward cargo from lighters ("offshore"). But supervising the physical execution of the bunkering goes to the marine department. A close watch must be kept so that the oil-tanks will not be overfilled, thus perhaps causing cargo damage or disastrous fires. Recently a fine steamer narrowly escaped destruction by fire, owing to her tanks having overflowed while repair-men were using acetylene flame. The disaster was staved off only by superhuman efforts. As the traffic man is responsible for the cargo, this will be in his mind if the ship is fueling with oil.

For many trades coaling for the round is now imperative, not only because of high costs, but because delays are so numerous that they cannot be risked. This suggests that the traffic department must have, or be able to put its hands on, information as to fueling stations, both oil and coal, in any part of the world where the steamer may be trading. It must know the approximate prices that may be expected and something of the con-

ditions that may cause a change in these before his ship gets there.

This whole question of bunkers lies at the very heart of ship operation, viewed either in its narrow (or individual) or its broad (or national) aspects. For mobility a catboat with a leg-o'-mutton sail is superior to a coalless *Leviathan*.

Viewed in its broader bearings, the nation that controls the bunkers can control the seas. Before our entry into the war, Great Britain dictated to deep-sea tonnage under the American flag as absolutely as if it had all flown the Union Jack. Owners signed any bunkering agreement required by the British government, and conformed to all the regulations prescribed by the British authorities; and some of them were highly arbitrary. It was said in 1916 that an American ship could not carry American cargo from New York to any other United States port except by permission of the British consul-general. Of course no regulations could be enforced directly as regards American ships in American ports; but the owners of such ships could be prevented from bunkering at any British coaling station. And most shipowners had, and have, interests outside American ports.

The following coaling stations are controlled from Great Britain. Notice not only their number, but their geographical distribution and strategic positions; they are well worth noting before we talk of an American navy or merchant marine that shall "*dominate the seas*."

Stations		Stations	
Canada .....	26	East Caribbean .....	6
British Columbia .....	8	West Caribbean .....	1
West Indies .....	6	Spanish .....	1

Great Britain .....	66	Andaman Islands ....	1
Egypt .....	5	Straits Settlement ...	3
West Africa .....	8	Australia .....	13
South Africa .....	6	Tasmania .....	2
East Africa .....	2	New Zealand .....	19
India .....	6		—
Ceylon .....	2		181

The one station in the Spanish district does not sound very important until we notice that its name is *Gibraltar*.

Here is a list of 181 British coaling stations on British territory. But, in addition to this, a large number of stations are dependent on British coal for their very existence. The statistician of the United States Shipping Board estimates that, previous to the late war, out of 80,000,000 tons of bunkers consumed annually, 60,000,000 were supplied by Great Britain and 5,000,000 by British colonies. In other words, the British Empire owned 40 per cent. of the listed coaling stations and supplied 80 per cent. of the coal.

For oil-burners the case is different. To begin with, the greater efficiency of oil, per ton, gives the ship about one-half greater steaming radius on the same weight of fuel. And, next, the main sources of oil fuel are far from Great Britain, which, in 1919, listed only some twenty-four oil stations outside the United Kingdom.

It is generally assumed that the great threat to British control of maritime fuel is the increased use of oil, which now appears an absolute certainty. But it is futile to speculate on the far-reaching effects of a general displacement of coal by oil as a maritime fuel. Coal will probably dominate for some years to come — for



one reason, because the great majority of existing steamers are coal-burners.

In any event, it is absurd to assume that Great Britain will allow her maritime supremacy to be threatened, notwithstanding any change of conditions, without a notable struggle. The sea is England's front door, back door, and side door, and she will permit no menace to her safety thereon. She always has been, and always must be, ready to fight for it — war economic, war diplomatic, or war military have no terrors for her, compared with even second place on the ocean. If oil supplants coal, she will get a sufficient oil supply or die trying; for an adequate fuel supply is to the British Empire one of the prime conditions of existence.<sup>1</sup>

Hence the salty Socrates whose maritime experience was gained on a prairie-schooner, bunkering mules at a nose-bag, is calculated to make the judicious grieve, when he spreads his pinions and lightly talks of pushing the British flag from the seas. It may be done; but as Mr. Terence Mulvaney might remark, "*There's a fight bechune.*"

<sup>1</sup> Five months after the above paragraph was penned it is reported on good authority that over 70 per cent. of fuel oil supply (outside of U. S. territory) is now controlled by British interests.

## CHAPTER XII

### ON THE WHARF; RECEIVING THE CARGO

**W**E have said that the wharf is altogether the best place for a beginner in ship operation.

All the physical and mechanical grief and sorrow of loading and discharging show up at the wharf end. It is here that the economy of speed and the waste of delay is most apparent. When things go wrong, the first action of the office is to "call up the dock." The cargo must come in proper rotation — heavy cargo first, light cargo later, and other merchandise to fit the needs of stowage. The condition of packages; the exclusion of unpermitted shipments; the rejection of dangerous or unfit cargo; the prompt receipt of lightered goods, lest lighters claim demurrage; the measuring and remeasuring of room left in the ship; that the office may know whether too little, too much, or just enough has been engaged; watching the draft, that the vessel may be neither deep nor light; watching the trim, that she may have just the right drag for her best speed; smoothing down impatient or indignant shippers; spurring dilatory ones to get their cargo alongside; bawling out profane and blasphemous longshoremen; occasionally engaging in a punching match with pugnacious truck-drivers — all these and many more troubles are indigenous to the dock, and must be handled by the dock clerk or marine superintendent. The details of stowage are for the stevedore, broadly overlooked by the dock superintendent.

The main purposes of the dock force proper are:

1. *To receive and receipt for the cargo engaged.*
2. *To reject cargo unengaged or unfit for shipment.*
3. *To keep the necessary records of count, measurement, weight, condition, and any other details necessary for the issuance of bills of lading for cargo accepted.*
4. *To keep the traffic department fully informed daily, or even hourly, of changes in conditions that may necessitate a change of plans; the hurrying of dilatory shippers, or the pacification of angry ones.*
5. *To oversee and report on the stowage of the ship, with special reference to protecting the owners against claims that may properly belong to the stevedore.*

When there is anything at all doing, there are no dull times on the dock. If it has no troubles of its own for the moment, it can trust the office to lend it some.

When a shipper engages space in a vessel, he is given a slip called a "permit," authorizing him to deliver his freight at a certain time. If the delivery is by truck, the truck-driver presents his permit to the receiving clerk, and, as soon as his truck has been discharged, gets a receipt. (These are later exchanged at the company's main office for bills of lading.) If the delivery is by lighter, the lighter captain lodges his manifest and permit with the clerk, and gets a receipt when his cargo has been discharged, either into the ship or on to the dock. If delivery is not made before the permit has expired, the ship is at liberty to refuse the goods; if the delivery is made before the time mentioned on the permit, the ship is not bound to take the cargo before the permit



time, and the shipper is responsible for consequent demurrage.

All freight is first measured and then checked into the ship. The receipt given the shipper is made out in triplicate, the original going to the shipper, the duplicate to the main office, while the triplicate is kept at the dock. As soon as a receipt is completed it is copied on the "cargo sheets," which constitute the dock record. The weight and measurement of cargo are kept in separate columns and totaled separately; and as each sheet is completed it is sent to the main office, where the arithmetical work is verified and compared with the receipts, and with bills of lading as fast as they come in.

With large consignments of boxes or cases, of uniform content, there is no special need for particular identification. But where case contents are not uniform it is usual for shippers (in addition to the mark) to have each case numbered, and its contents thus identified for the invoice. Thus the value of a case missing at discharge can be readily known; or, in case of pilferage, the missing goods easily arrived at. In the case of large and varied shipments the manufacturer frequently supplies a "packing list" giving the mark, number, weight, dimensions, and contents of each case, crate, or package. This is a great convenience to the dock. Among other aids, in case part of a shipment is shut out, the dock knows exactly what has gone.

However, as factory measurements are not usually made according to the wharf rules, clerks should not be allowed to accept them without verification. A packing list has saved labor for many a lazy clerk, but cost many ships a pretty penny.

The measurement of cargo is a simple enough matter for a clerk who knows the principles to be observed, and who is conscientious. The first principle is that the old rule of cubic measurement that we learned at school is to be forgotten. If a clerk took 1,728 cubic inches to the cubic foot he would never get his calculations through. In dock arithmetic twelve cubic inches make a cubic foot, and forty cubic feet equal one cubic ton. Anything under half an inch on a dimension is thrown off; one half an inch or over is the next highest inch. Thus a case measuring  $10\frac{3}{4}$  in.  $\times 1\frac{1}{2}$   $\times 1\frac{1}{9}$  would be recorded as 0/11, 1/3, 1/9 = 2/0. This method gives the ship the advantage of the even fraction; which is only fair, since she must stand all the loss from breakage.

For regular cargo this is the only rule that really needs to be known, and the calculation tables take away the need for arithmetic, except when one of the dimensions is above the limits of the book. Then the dock clerk must be able to figure cubic with his pencil.

Irregular or queer shaped cargo must be measured according to judgment, trying to reach a fair result for the ship and shipper.

A triangular piece of cargo would be measured full length and depth, and breadth a little less than half way from the base; staves, beam filling, small stowage, or dunnage lumber may be taken on an agreed system of measurement; or the same result may have been reached at the office by naming a special rate. No rule can cover all questions of measurement, and in some cases it is necessary to consult the shipper and reach an agreement. All measurements are subject to review at the port of discharge, and refund must then be made if overcharge can be proved.

The work described above is standard, and is the same everywhere; in addition, there is other "paper work" which varies on every pier, but a general description will be useful.

When a lighter reports, its name, number, permit date, time, and cargo are recorded on a "lighter slip," and the slip numbered and filed in order. At the finish of each day that the boat is worked, the lighter clerk deducts the cargo taken off for that day from the total cargo on that lighter at the beginning of work; continuing to do this until the discharge is finished. Each morning a lighter list is made from these slips for the information of the stevedore and the traffic manager, and the weight and measurement of the cargo on dock is reported, so that it can be seen at a glance just what cargo is alongside.

While the clerk is having the dock and the "alongside" estimated, the stevedore is having the ship measured and "figured out" to find the weight and measurement of the cargo needed to fill her cubically and put her down to her marks — the result always aimed at by the operators. The weight to go is figured from the draft of the ship; for example, if it is known from the immersion scale that the ship goes down an inch for every 42 tons loaded, and by taking the draft it is found that there is still 3 feet 5 inches to go — 3 feet 5 inches equals 41 inches  $\times$  42 tons = 1,722 tons; but if the ship still has 200 tons of coal to load, and 100 tons of water, 300 tons must be subtracted from 1,722, leaving 1,422 tons of cargo to go. Supposing that the net space remaining in the vessel is 80,000 feet, it requires 56 feet cargo to put the ship down and fill her, because 1,422 tons weight,



which stows 56 feet per ton, will take up, say, 80,000 feet of room in the hold.

All this is duly reported to the traffic manager each day, or each hour if necessary.

This outline gives an idea of the clerical work on the dock.

## CHAPTER XIII

### ON THE WHARF; STOWING THE CARGO

**T**HE first objective of the stevedore is to have the ship in seaworthy trim and balance at sailing; the second is to load the greatest possible amount of cargo in the shortest possible time. For his second, he wants good gear, good gangs, and few delays, and with these the ship is not directly concerned; it is the first that interests us.

To be seaworthy, a ship must first have a comparatively low center of gravity; for if the heavy cargo is stowed too high the ship will be topheavy crank and unsteady. Most of the weight cargo, such as pig metal, goes into the bottom of the ship, and is as evenly distributed as possible. Unequal distribution of weight has a tendency to strain the ship. On the other hand, it is dangerous to put all the weight in the bottom, for a very low center of gravity would give the ship a tendency to roll, which might easily prove disastrous. In a ship with one cargo deck, the rule is to stow two thirds of the weight in the lower hold; in a ship with no cargo deck the stevedore must use his judgment as to the best method of securing a proper balance.

The ship must be in good trim, that is, on approximately an even keel. Most captains like to sail with a "drag" of a few inches; that is, with the ship drawing more aft than forward. To insure getting the proper trim, the stevedore usually holds out a couple of hun-

dred tons of heavy cargo until the last day or two, when he puts it forward or aft, as required. The greater the distance from the "tipping center" of the ship, the greater will be the effect; so the hatches used for trimming are the ones at the extremes of the ship. A ship with her engines aft needs a drag of a couple of feet, as she usually carries her fuel aft, and, as she uses it, she has a natural tendency to go by the head.

The simplest and clearest way to describe the stowing of a steamer is to take a hypothetical ship of average size and describe the loading of a typical cargo:

We will assume the ship to be an oil-burner and to have a total dead-weight capacity of 7,300 tons, from which we must deduct 1,000 tons for fuel (round trip), 200 tons for water, and 100 tons for stores, leaving a cargo capacity of 6,000 tons weight, and, say, 330,000 cubic feet bale measurement. Ten per cent. must be deducted from the measurement for loss in stowage, leaving a net space of 297,000 feet. We will suppose the cargo engaged to be as follows:

<i>Commodities</i>	<i>Weight</i>	<i>Measurement</i>
Steel billets .....	1,000 tons	12,000 cu. ft.
Machinery .....	800	56,000
Oil .....	500	30,000
Salt meat .....	1,500	75,000
Bale leather .....	200	24,000
Turpentine .....	200	12,000
Oil cake .....	800	28,000
Sugar .....	500	25,000
Automobiles .....	100	15,000
Condensed milk .....	100	5,000
General .....	300	15,000
	<hr/> 6,000	<hr/> 297,000



The stevedore begins with the steel. He first dunnages his holds and then begins loading. Of the thousand tons, he will probably put 700 tons in the lower holds, 150 tons in the 'tween-decks of No. 2 and No. 4, and hold out 150 for trimming.

His problem now begins. He cannot put any food-stuffs into the same hold as the turpentine, because the fumes of the latter would render them unfit for use. He cannot stow oil, turpentine, or salt meat in No. 3 hold, because it is next to the ship's engine-room and is therefore too hot. And he prefers not to stow machinery in No. 4 and No. 5, if the cases are large and heavy, because the shaft tunnel forms an obstruction and makes quick and economical stowage difficult until it is covered.

He will decide to do something like the following: He will put the barrel oil in No. 1, together with the turpentine; and if the hold is not filled he can top off with small cases of general cargo or condensed milk, the milk being immune from the turpentine because it is in metal containers. In the lower hold of No. 2 he will put most of the machinery, and top it off with sugar or small cases; and in the 'tween-deck the rest of the machinery, most of the automobiles and some of the sugar. No. 3 will take the greater part of the oil cake and the sugar, and No. 4 can be used for the salt meat and condensed milk exclusively. The rest of the oil cake, sugar, and general cargo will be put in No. 5 hold and 'tween-deck, and the remainder of the automobiles in the 'tween-deck. The leather being light, and not affected by heat, is ideal for the bridge deck, which it would come pretty close to filling; and space remaining would be taken care of by what was left of the general cargo.

It will be noticed that the cargo stowed aft is a little heavier than that stowed forward. This is for two reasons: first, the space forward is almost invariably greater than that aft; and, second, because most oil-burners have a tendency to go by the head as the fuel is used.

The foregoing example illustrates a point that office men who have had no dock experience often fail to grasp, namely, that certain cargoes may prove impossible to handle under certain conditions. Suppose that the ship had been booked for provisions, oil, and turpentine alone; what could be done in No. 3? Absolutely nothing. The entire ship would have to be held up until suitable cargo arrived, for the master of the ship would not allow four of the five holds to be loaded while the fifth remained empty, for fear of straining the ship from the unequal distribution of weight. Or suppose that the stevedore had been saving the bridge deck for the leather and at the last moment two hundred tons of automobiles, which have about the same measurement per ton, had been substituted, and No. 3 hatch was too small to admit large cases. Again the ship would have to be held up, or sailed with the bridge deck empty. Or suppose that when the ship was ready to start loading, it was found that 1,500 tons of the light cargo was on hand, and none of the steel alongside — what could be done except wait for the steel? In one instance, a ship that was half loaded and had 1,200 tons alongside had to stop work for several days and wait for the arrival of some heavy machinery, because the cargo on hand consisted entirely of crates of window-glass. It is hardly necessary to discuss the inadvisability of stowing heavy cases on top of window-glass. Window-glass is one of

the various cargoes that requires special stowage, it being necessary to stow the cases on edge, and athwartships, or a-burton.

Any commodity in barrels must be stowed with special care, as the breaking of one barrel will cause the adjacent barrels to roll, and may result in the loss of twenty or thirty additional. Therefore, a short oblong piece of wood is placed under each end of the bottom tier of barrels to distribute the weight; otherwise the entire weight of all the cargo will come on the center of the bilge where it is thickest. Furthermore, to prevent rolling, pieces of cord wood or loose barrel staves are inserted between the barrels wherever there is room between the barrels and the skin of the ship, and around stanchions and ventilators.

The practice of wedging the cargo in, as described in the cases of the barrel cargo, is employed to a lesser degree with all classes of cargo, as it is imperative that everything below decks be absolutely secure. If the cargo starts to shift, not only will much valuable freight be ruined, but the ship may be given a dangerous list. This wedging is called *chocking*.

It is obvious that thinly protected cases cannot be stowed in the bottom of the ship, or the enormous weight of twenty feet or more of tightly packed merchandise will crush them. Even heavy cases so stowed are protected as much as possible by placing dunnage (rough one-inch boards) every few feet of depth to take up or equalize the strain. Ordinarily these boards are spaced at intervals of a few feet, but where "wet" cargo, such as oil or salty meat, or sifting cargo, such as flour, is to be stowed above material liable to damage, the under



cargo must be floored off with a double layer of dunnage boards.

The interests of the ship's operators and the stevedore, while not identical, are similar. The operators wish the greatest possible amount to be loaded in the least possible time, because the cargo is paid for by the ton, while the ship costs them a considerable amount each day, and every day that it is delayed is clear loss. The stevedore's interest is the same, because, while he is paid by the ton, he pays his men by the hour; in other words, he is on piece-work, while his men are on a time basis. Unless he averages about 16 tons weight and measurement per hour per gang, he loses money; and, while the operators pay his men for all detentions over a quarter of an hour, a series of delays is expensive to him because of the time lost in starting and the loss of momentum. This necessity of keeping his gangs working often brings his interests and those of the operators into conflict, for it will sometimes impel him to take small stowage, such as boxes of dried fruit or condensed milk, and stow it all together, because it is the only cargo available, much to the annoyance of the operators, who have been holding that cargo for the express purpose of using it for beam filling. The operator has to watch for this trick, which probably dates back to the stowage of Phœnician vessels, 650 B. C., and is known as "stealing the small stowage."

If everything runs smoothly, the stevedore makes a good sum on a ship; but, as not one ship in fifty does run smoothly, he sometimes makes and sometimes loses. The ship's winches may be poor or the booms weak, or the cargo may not arrive in the right order; the freight

may not arrive fast enough and the ship be held up for lack of it, or it may come too fast and clog up the slip. As the ship often loads at the operator's pier, a good pier superintendent (the operator's representative) is a great asset to him. The hatches on most ships are too close together to be all worked "offshore" (from lighters) at the same time, because there is not length enough for the lighters.

Consequently one gang at least is worked "inshore" (off the dock). A pier superintendent who knows his business will have suitable cargo near the right hatches. He will have the ship so placed, if possible, that there will be a "lighter berth" either forward or astern of the ship, so that lighters can be worked to the dock and thence into the ship to the best advantage both as regards convenience to the stevedore and the keeping down of the demurrage bills on lighters. He will see that any gear that his company is bound to supply is on hand, and that a tug is present when needed to shift the lighters with the least possible delay. He must know how many gangs can be used to advantage, and when it is profitable to work overtime; some office men believe that the only way to load a ship is to work the full number of gangs day and night, Sundays and holidays, regardless of the comparative size of the hatches, the quality of work, and the amount and character of the cargo on hand. But, as a general thing, their dock experience is defective.

In a later chapter we shall take up the office plan for the stowage of a similar cargo, from the traffic man's point of view. As a general thing, the office has convictions regarding the ignorance of the dock, which are fully as injurious as the dock's convictions regarding

the office. No ultimate judgment of detail is likely to be more accurate than that formed on the dock. There the plans and orders of the traffic department are subjected to the hard test of execution, and the results of good or bad judgment declare themselves.

The traffic department's work is more exacting than that of the dock, since it must not only supervise and direct the latter, but must bear in mind a score of considerations which the dock has never to bother with.



## CHAPTER XIV

### ON THE WHARF; STOWING THE CARGO (*concluded*)

**T**HE stevedore does not depend for his profit absolutely on the tonnage put in the ship; he exacts a fee of fifteen cents a short ton for every lighter he discharges into the ship or to the dock. When the freight is loaded directly into the ship from the lighter, the lighterage company allows the stevedore to do this, and pays him, afterward billing the shipper. But when it comes to discharging to the dock, it is often done by a private company that makes a specialty of such work and does not charge so much.

It sometimes happens that the stevedore, upon undertaking to load a certain ship, sees that he cannot possibly make money on a tonnage basis, and takes it on a time plus 10 per cent. basis; that is, 10 per cent. over the time paid his men and the rent for his gear. To illustrate: A certain sailing ship was booked for a full cargo of car-frames and agricultural machinery. The hatches of sailing ships are very small, and the difficulty of loading such a cargo is analogous to that of getting a warehouse-ful of pianos through a door a little too small. The stevedore, realizing this, took the contract on a time basis, and was shown to be justified in his judgment by the fact that it took him six weeks, working eight hours a day, to load 3,000 tons.

The stevedore's profit or loss is chiefly dependent on his gangs, and, having collected a number of good

gangs, he does his utmost to keep them together. The number in the gang varies in different ports and even in different parts of New York. On the Brooklyn water-front the usual number is seventeen men and a hatch foreman. There are eight men in the hold, eight men on the dock or on the lighter, and one gangway man. When it is necessary to truck cargo a long distance on the dock, the stevedore will put on a couple of extra men, usually at the expense of the operators.

The following will illustrate one class of problems incident to stowage:

A certain ship was booked for a cargo of salt meat, grease, and a couple of hundred tons of turpentine. The No. 3 hold on the ship was a "deep tank"; that is, it was fitted with a pipe connection, so that it could be pumped full of water ballast if necessary. The covers on a deep tank are of steel and can be bolted on, so that in this case the turpentine would be well separated from the rest of the cargo; likewise, the hold, though amid-ship, was protected from the heat of the engine-room by an intervening coal-bunker. But on examination it was found impossible to use the tank because it was not equipped with ventilators for allowing the dangerous fumes to escape. The difficulty was finally overcome by putting the turpentine in No. 1, where the only other commodity was grease, and was not subject to damage.

Another ship was allotted by the commission of a foreign government to a certain firm, and booked by them for a cargo consisting largely of car-frames. The holds of the ship were found to be so full of stanchions that they resembled a cow-barn, and the only possible way to load the frames was to remove some of the stanchions and load the frames and replace the stanchions after-

ward. The company besought the commission to change the cargo. This the commissioners resolutely refused to do until some of the frames had actually been loaded in the manner described above, when they suddenly changed their minds and canceled that part of the freight, whereupon the stevedore had the pleasure of discharging what he had already loaded — at the expense, however, of the commission.

Grain, which would seem to be the simplest and safest of cargoes, is considered dangerous, owing to the ease with which it shifts; hence underwriters have stringent rules for the loading of it. Each hold must be fitted with “shifting boards,”—a longitudinal partition for the entire length of the hold,—and, unless the hatch-coamings are exceptionally high, the bulk grain must be topped by not less than four tiers of bagged grain or flour. A ship with a ’tween-decks must be equipped with feeders — wooden partitions around the square of the hatches in the ’tween-decks; and a different set of rules is laid down for every variety of ship.

It is impossible even to attempt to describe the infinite variations in ships and cargoes, for no two ships and no two cargoes are identical. Naturally, both the operators and the stevedores prefer a ship they know to one that they do not; for, after loading a vessel once or twice, they become acquainted with her peculiarities, and know for what cargo she is best suited, how she trims, and what weight the winches and booms are good for. But, even so, something new may be discovered about a ship any time; and some new thing is turning up every day in the year. The advantage to the regular lines of handling the same ships repeatedly is by no means to be despised in competitive times.



Full cargoes are simpler to load than general, and usually pay less gross revenue; but they may be more profitable. About the simplest bulk cargo is *coal*, which is shot into the ship by gravity at the rate of from one to two thousand tons a day, and the loading cost is confined to trimming.

It is worthy of note that New York, the greatest port on the western hemisphere, and one of the greatest in the world, lags far behind in the matter of bunkering and loading coal. Except for a few quite inadequate coal-docks, the only way to load coal at New York is by lightering and bucketing in at the rate of about thirty tons an hour. The extra cost of this method, in time, labor, and transportation, may be imagined, when compared with pulling a lever on a coal-car and shooting the coal into the hold or the bunkers, as the case may be.

*Lumber* appears a quite definite term, and yet no one would be justified in naming a rate simply for lumber, without further description; because no one can tell how much a ship will carry until he knows the kind of lumber to be shipped. If it be 12-, 14-, and 16-foot boards 8 to 12 inches wide and not over  $2\frac{1}{2}$  inches thick (in other words, if it is of handy size and fairly uniform), it may stow in 100 feet to the thousand. But if it be all sizes up to 40-foot lengths and 14 inches square, it may stow in 120 feet to the thousand, or in 140, according to the fitness of the ship for lumber carriage. Thus the gross revenue is greatly affected by the kind and sizes of lumber or timber shipped.

Frequently from 15 to 25 per cent. of a lumber cargo is shipped on deck, as under-deck lumber will not put a ship to her marks. Hence the deckload, so as to utilize surplus buoyancy. As deckload insurance is expensive,

deck cargo is usually carried at a discount of from 25 to 33 $\frac{1}{3}$  per cent. from under-deck rates.

As part of a general cargo, lumber is often abused by being used for dunnage purposes, unless the longshoremen are carefully watched. Lumber is usually carried at a given rate per thousand feet, inch or board measure—that is, per one thousand square feet 1 inch thick, or equivalent. (This is often described as superficial feet; but that term is, strictly speaking, erroneous.) When, however, the rate is named per cubic foot, there often arises a question of how many cubic feet stowage are contained in one thousand feet inch measure. Formerly, certain charters contained a provision that lumber should be taken at “83 $\frac{1}{3}$  cubic feet to the thousand feet board measure.” This is clearly unjust to the ship, being exactly the stowage of a squared tree-trunk. A shipper once asserted to the writer that he could stow lumber in 80 feet to the thousand. A proper response would have been that, granting this contention, he could stow it just 3 $\frac{1}{3}$  feet closer than the Almighty. A fair estimate for boards is 100 feet, but naming a proper rate on lumber is a hard thing at best unless one knows both the lumber and the ship pretty well.

*Oil in cases* is about the easiest and most desirable full cargo to load. Cases being uniform at 2 feet, the stowage is far closer than in mixed cargoes. As ships usually load at the oil-yard, loading is rapid and uniform, which means a profit for the stevedore. Practice allows one case to be laid on the flat for beam filling. This is known in stowage as a “flatter.” So oil really makes its own beam filling. Barrel oil will not do so well, as there is often waste for lack of small stowage.

*Heavy ore* in full cargoes is sometimes a disagreeable

necessity; but it is not desirable. Whenever it must be so carried, even distribution of the weight is a prime consideration to avoid straining the ship; and the avoidance of too low a center of gravity is the next. To accomplish the latter, it is often necessary to build wing feeders in the 'tween-decks, to keep the ore stowed there from shifting and thus giving the ship a list. To load the full cargo in the lower hold would be bad.

The distribution of weight is even more important. Consider the upward pressure of water, which is overcome as a ship's hull is pressed down by her cargo. If the weight is evenly distributed, that pressure is neutralized everywhere by the weight of cargo. But if the cargo be laden bow and stern, the downward cargo pressure at the two ends, combined with the upward water pressure at the center, will have the same effect as if one should take a stick of wood or an iron wire in his hands and bend it over his knee. If wood, it will break; if wire, it will bend. If the cargo is all stowed in the middle and the ends are empty, the ends will bend up, the center be pressed down, and the ship will buckle. If there is a marked inequality of distribution of weight, even though it be not so great as to buckle the ship, there will be a tendency to strain in heavy weather, which may prove disastrous. In loading ore, or heavy dead weight of any kind, this is always to be borne in mind.

Of course, if the stevedore is on the job, he looks after this. But stevedores, like other mortals, are fallible, and it is just as well for an office to keep an independent eye on the dock. It has a tendency to refresh the sense of individual responsibility.

*Cotton* is one cargo when shipped in regular bales measuring about 28 feet to the 500 pounds, and another



when in extra density bales measuring 18 or 20 feet. The first stows about 130 feet to the ton and the second about 80. Of course, full cotton cargoes waste weight capacity to a shameful extent, but some were sent out during the war, just as some steamers went out with full cargoes of steel billets, thereby wasting most of their cubic.

Cotton has a coquettish habit of developing fire in the inside of a bale every now and then, and is, of all ordinary cargo, perhaps the most hazardous fire risk. Otherwise it is most desirable as light stowage for a combined weight and measurement cargo. Cotton bales spring somewhat with handling, so that they do not stow as closely when shipped from Northern as from Southern ports. Extra density bales, which measure 18 feet at New Orleans, may go 20 feet or slightly more after being shipped to New York. These figures deal only with American cotton running about 500 pounds to the bale. West Indian cotton measures about 25 feet to 212 pounds; Brazilian, 17 feet to 182 pounds in ordinary bales. In hard pressed bales, Calcutta will go 11 feet to 400 pounds; Madras, 12 feet to 300 pounds; Egyptian, 20 feet to 775 pounds.

It is worth while calling attention to these variations to show that intelligent quotation in cotton freight is impossible unless further details are first supplied by the shipper.

*Mahogany* is imported from Central America, Mexico, the West Coast of Africa, and (a little) from Cuba. The freighting is a special business, full of twists and technicalities.

All the business is in logs, which vary from  $1\frac{1}{2}$  to 8 tons in weight. The logs are floated alongside and

lifted from the water by ship's tackles. Most of the ports are open roadsteads, and loading is therefore subject to dangerous interruption from bad weather. The ship is apt to be damaged or imperiled by the hammering of the heavy logs against her sides. Special tackle is required for heavy pieces. These are only a few of the eccentricities of the business. It is a first-class trade for an experienced firm, but very bad for a beginner.

Mahogany log measure is by two systems, known as the York, and the "Scribner Doyle," the latter giving a result equal to York plus 15 per cent. Mahogany is hard on the ship, a wooden vessel looking a good deal as if she had been in action after a cargo of these logs.

All mahogany ports are bad, but the West African are said to be the worst for delay, port perils, high expense, and general sorrow to the ship. At most of them the ship has to be prepared to slip her cables and run for the open at the first sign of hurricane. If anything happens so that repairs are required, small vessels can be docked at Duala in the Kamerun, or at Forcados in Nigeria. But for major repairs good sized ships might have to proceed to Dakar in Senegal or Las Palmas in the Canaries. Health conditions are bad, supplies scarce and dear, drinking water hard to get at many places. All in all, while man is vile enough on the Gulf of Guinea to suit the most orthodox taste, it can hardly be said that every prospect pleases.

Since it will be impossible to treat in detail of the transporting of all commodities in cargo lots, we shall perhaps cover the ground to most advantage by describing from the office end the methods of handling general cargo; which may include anything from locomotives to canned oysters. As this will involve the berthing of

the ships, it will also afford an opportunity to touch upon the work of that department upon which most of the responsibility involved will rest — the traffic department.

The question of the effect of high wages on the efficiency of labor is quite as acute on the dock as elsewhere. Tally clerks who used to get \$18 a week now <sup>1</sup> receive \$5 for each working day, with overtime and Sunday and holiday pay, which sometimes bring their weekly income up to \$75 or \$80. Since many of these men, especially the older ones, have remained clerks because of their lack of application, or perhaps because of intemperance, a big week's pay is very apt to be followed by a defection in the force, some clerks remaining away until their money is gone. During the war they did not fear discharge, for they could pick up a *per diem* job anywhere.

With the longshoremen it was even worse. Foremen grew absolutely afraid to attempt any control of their gangs for fear of losing the men. The latter knew perfectly well that the next dock would be glad to take them at full wages. It resulted that, during the war, what with double and triple wages, and with the demoralization of the dock forces, who, for the first time in this generation, held the whip hand, the actual cost of loading cargo ran up from 50 cents a ton to \$1.25, \$1.50, and even \$2.00.

<sup>1</sup> January, 1920.



PART II  
THE OFFICE



## CHAPTER XV

### MACHINERY OF FOREIGN TRADE

**A**N intelligent understanding between the freighter and his customer the shipper is a great aid in smoothing out the rough places that will occur in any business relation, and from which assuredly the shipping business is not exempt. For this reason, it is desirable that a steamship man should have a general knowledge of the routine followed by the shipper in procuring and executing orders; the risks he must incur; and his limitations as to freighting the goods he has sold.

The general bulk business (that is to say, the trade in large blocks of one commodity — grain, steel, oil, provisions, coal, lumber, etc.) is chiefly done on the basis of firm bids and offers.

It is very necessary to define exactly this very exact term. There is much loose talk which classes as a "firm offer" any business proposal that is supposed to be made in good faith. This is emasculating the language by frittering away the definite meaning of a phrase the only value of which lies in its definiteness.

There are only two kinds of offers — those that are *firm* and those that are not. Strictly speaking, a firm bid is a proposition made to buy something on stated terms, which binds the proposer up to the time of expiry stated in the bid. Strictly speaking, a firm offer is a definite proposal to sell something on stated terms.



which binds the proposer up to the time of expiry named in the offer. Generally speaking, however, these are both referred to colloquially as "firm offers." In cable codes, the distinction between "Bids" and "Offers" is usually preserved.

Offers that are not firm are properly known as *quotations*, and when one wishes to cable such information he codes his message to read something like this: "Quote No. 2 Hard Winter Wheat at —," or says, "Cannot make firm offer but with firm bid in hand can almost certainly do the following business." Such "offers" are only "scraps of paper," since they bind no one.

But the true firm offer has three characteristics, lacking any one of which it ceases to have the value of a firm offer:

1. It must be specific as to price and terms.
2. It must be limited as to time.
3. It must be binding on its proposer.

A real firm offer has the effect of a contract whose proposer signs it in advance, agreeing to make his signature good unless the other party fails to sign in the specified time. This is a genuine "firm offer." All others are merely quotations.

The following is, in form, a genuine firm bid, or in ordinary phrase a firm offer for a steamer:

To Hasler Bros. & Co.,  
New York, N. Y.

Offer firm reply forty-eight hours from noon to-day full cargo sawn pitch pine timber and/or lumber, Beaumont, to one safe port east coast U. K., fifty-eight dollars, shipper's option two ports fifty-nine dollars, both per thousand feet

board measure, freight prepaid stop Cargo fast as ship can load; discharge hundred fifty thousand a day or more; charterers stevedore current rates; tendering October 1, canceling October 31, receiver's option taking cargo overboard into water and on barges. Steel or wooden steamer acceptable.

HOWARD BRONSON & Co.

Most offers for merchandise are made "cif," that is, cost, insurance, and freight. If made in a foreign currency the calculation necessarily includes the rate of exchange.

Now, if Howard Bronson & Co. wish to cable a sterling offer on deals cif Hull, they must either hold firm offers for, or take the risk of,

1. Cost of lumber, free on board ship.
2. Cost of freight from port of shipment to Hull.
3. Cost of insurance.
4. Rate at which their sterling draft on their buyer will be turned into dollars.

If they cannot obtain responsible firm offers from either their lumber dealers, freighters, underwriters, or exchange bankers, they cannot make the offer without assuming such of those risks as may remain unguarded.

To illustrate: If they estimate on sight draft at \$3.79 at £, and when they come to sell the exchange the market has fallen to \$3.70 to £, they will lose \$900 on each £10,000 of sterling sold. On the other hand, if sight sterling has advanced to \$3.88 to £, they will gain \$900 per £10,000 of sterling sold. Experience shows, however, that Divine Providence will usually defer any advance until the exchange has been sold, but will hurry a decline so as to catch it. No one knows just why this is.

In an uncertain freight market the minimizing of these risks is essential to the merchant's safety. Obviously, with freights inflated and excited, the shipowners (or agents) are the only ones who can afford to offer firm on freights, since they are the only ones who have the ships to supply in case the offer is accepted. A chartered owner or other temporary holder of room stands as an owner in this respect.

This is further to be said regarding the legal status of a firm offer.

If no consideration is given therefor by the recipient, the offer is revocable, at any time previous to its acceptance, by the grantor giving notice to the grantee. In this connection, the grantee should be held to have given a consideration when he has incurred an expense or assumed a risk or obligation in the attempt to sell the goods offered.

There is a certain unwritten code of honor that should be observed when firm offers are given and received. If B receives a firm offer from A, he must use all diligence in endeavoring to close the business; and if the transaction goes through, such part of the business as A has offered on should go to him at the price contained in his offer. For it is clear that for A to tie his room or his ship up without compensation is a favor to B, and the least the latter can do is to play fair. Any party caught violating this principle should be ostracized, as far as firm offers are concerned. Never do business with a man who plays foul on firm offers.

When B the shipper has sold (say) a million feet of lumber cif Hull, he is bound by his contract, win or lose. If he has secured his tonnage by accepting a firm offer he has eliminated that element of chance. If not



he is "short" of tonnage, which he must cover; and is entitled to all he can make on a falling market; or must bear his own loss on a rising one. (The same, of course, is true of his lumber and exchange.) It is needless to say that any one would prefer the safe business to the risky; but, as in other lines, it is sometimes necessary to meet a risky competition. A freighter has two lines of policy in regard to a shipper placed in such a position. One is (in street phrase) to "lay for him and squeeze him"—that is, make him pay "through the nose"; the other, to aid him as far as can be done consistently with the ship's interest, thus making a friend of him. In this way (by working in harmony with the shipper) a clientèle is built up: and a clientèle is about as valuable to a freight business as to a lawyer.

For the last four years the cargo-shipper has been a sort of Ishmaelite, with every man's hand against him. It has been the man or firm that had freight room that was courted and sought after. The man with cargo was rather a nuisance. One of the many things that are coming to the proud and haughty war freighter is a knowledge of the true relation between the despised shipper and the freight business. And when some of these new-born shore Neptunes discover that, it is going to cause them a great and painful surprise.

Probably the shipper, if he is short of the tonnage, will try to cover through a freight broker. The freight broker is an anomaly, in one way. He is chosen and employed by the shipper, but he is paid by the ship. This makes it very convenient for the "short" in freight, as he can try out the market while concealing his identity, and it costs him nothing in any event. Many large shippers have their regular brokers, and (even when

they do the actual negotiations themselves) order the contracts sent through that broker, which insures a brokerage to the latter. This ensures for them the loyalty and diligence of the broker.

On the whole, there are not many men who earn their living more fairly than a good freight broker. They have had hard sledding for the war period, owing to lack of tonnage to offer; but, owing to high freights, the  $1\frac{1}{4}$  per cent. has sometimes amounted to \$2 a ton, where it used to be 10 to 15 cents. General experience is that it pays both the ship and the shipper to encourage the freight broker.

The insurance premium will be affected greatly by the nature of the voyage and the rating of the ship. Insurance that can be done for  $\frac{1}{2}$  per cent. or less on 100 A1 steel steamers might run up to 3 per cent. or  $3\frac{1}{2}$  per cent. on some of the wooden steamers now afloat, and as high as 6 per cent. on wooden sailers.

It takes no sage to foretell the fate of the vessel of low class and high operating expense and maintenance in a competitive freight market. Whenever that fairly arrives again, the future of the wooden ship will be behind it.

The insurance broker is like the freight broker — the buyer chooses and employs him, the seller pays him. If it is foolish to slight the freight broker, it is doubly so for the insurance buyer to slight the insurance broker.

Now, the merchandise being bought, shipped, and insured, the exporter is ready to make up his shipping documents, of which the whole set is required to make good collateral for his draft on the buyer. A commercial set is composed of four main documents which compose what is known as a "documentary draft":

1. The invoice, showing true value. If the freight is payable on delivery, the amount due (as shown by the B/L) is deducted from the cif value shown on the invoice.
2. The bill of lading — proving shipment.
3. The insurance certificate, warranting all in interest against loss by insurable perils.
4. The draft, at usance as agreed, which the buyer is to pay against delivery of the above documents.

The negotiation and cashing of this draft constitute a transaction in foreign exchange, a necessary and, in some of its developments, a highly complex operation; which is, nevertheless, very simple in principle. It really is merely the practice of wiping out debits by credits instead of by money.



## CHAPTER XVI

### FOREIGN EXCHANGE

**A** WITTY Irishman once described exchange as the method by which an Englishman swapped a Sheffield knife for a Geneva watch, and kept the knife. Possibly he was inaccurate in putting (as he might have expressed it) all the reciprocity on one side, but he had the correct idea that the exchange was of goods and not money.

Foreign exchange, of one sort or another, is of very ancient origin. As first applied to America, it was introduced by Cortez, who took gold from the Mexicans in exchange for large lumps of mediæval theology. This was the primal cause of what we have come to know as the "Mexican problem." The aborigines were not sure they wanted to swap, but the Spaniards removed their doubts whenever they became inconvenient. The next stage of exchange came when the Virginia planters shipped tobacco to their English agents, who sent back the value in dice-boxes and dueling pistols. This was the stage of barter, and extended (among other places) to the Guinea coast, where the colored population for years exchanged themselves (and each other) for glass beads, fire-water, and permanent jobs in the sunny South. Export of gold in exchange for commodities was the next step; and exchange of credits followed. By this last the values of exports and imports are offset, balances being settled in gold, or held as open accounts until more favorable settling conditions ensue.

This process is so simple in principle that it seems almost superfluous to enter into it. Nevertheless, it will do no harm to trace the major steps in exchange of credits, that we may appraise at its true importance the document that we must later study in detail — the ocean bill of lading.

If Brown, Shipley & Co., London, collect £10,000, which B in Manchester owes A in New York for cotton; and Brown Brothers & Co., of New York, collect £10,000 here, which C in New York owes D in Sheffield for cutlery, it is evident that, for the present, the shipments of cotton and cutlery have effected an exchange without the transfer of any cash or the creation of any debt. Brown Brothers debit their London office with the value of the cotton, which they have paid to A for account of B, and credit it with the value of the cutlery. *Per contra*, Brown, Shipley & Co. debit their New York firm with the value of the cutlery, which they have paid to D for account of C, and credit it with the value of the cotton. The cutlery and the cotton men are square; the two branches of the banking house are square; and £20,000 in business has been done without a coin passing. That is the essence of foreign exchange.

If the cotton had been worth £20,000 instead of £10,000, the difference could have been made up by finding an American who had to pay Paisley £10,000 for woolen cloths, thus making £40,000 in value exchanged, and the books balanced by six entries.

The routine of each of these transactions is in principle the same. Let us take the cotton trade between A of New York and B of Manchester.

A of New York ships 250 bales of cotton by steamer to Manchester (making bill of lading to "order"), and

draws a draft to his own order against B, at B's London bank, at (say) demand for total invoice amount (say £10,000). In exchange for this draft, accompanied by the proper set of documents, Brown Brothers pay to A £10,000 at \$4.00 — \$40,000. There is a letter of hypothecation attached to the set, signed by A, and giving the bank discretionary powers to protect itself in case of trouble. If this letter states that documents are attached for payment, the bank can only surrender them to B, before he pays the draft, at the bank's own risk.

This is known as a documentary draft, and all the major documents are drawn to "order" and blank endorsed. This blank endorsement makes the set available as collateral to any holder, up to the time the draft is retired by the drawee.

Having cashed the draft for A, Brown Brothers send draft and documents to their London office. If, as is usual, the draft is made payable in London, B must have funds in London to meet it on presentation. If it is payable in Manchester, it must be sent up from London for collection. (Drafts payable in London command the better exchange rates.) Up to the time of payment A stands liable as endorser. On payment of draft the liability of A ceases, and the transaction lies between the London and New York bankers. London now has £10,000 belonging to New York, and New York may sell tourists bills of exchange on London against it, or use its London credit in any way that promises a profit. Normally, the great bulk of such credits is offset by proceeds of English exports to America, by remittances for ocean freight, or by any transaction that causes a movement of exchange in the opposite direction.

For simplicity we have taken both sides of the ex-



change as being settled through one firm of bankers. Of course, all the various exchange transactions in one market are offset, debits *vs.* credits, so far as is possible; because it is easier and cheaper for all parties in interest to make book entries than to transport the actual cash. But this needs no explanation.

The exchange banker makes his profit on the same principle as the grocer, who sells sugar for more than he pays for it. If you have to sell £10,000, you will obtain a slightly lower price than you will pay if you want to buy it. If you want to send £50 abroad, the rate of conversion will probably be three or four cents higher than the rate for commercial amounts. It is the old difference between wholesale and retail, as well as between buyer and seller.

As illustrating the profound effect of collateral branches of business upon shipping, and the anxiety with which the shipowner must watch the solution of other people's problems, let us consider the exchange conditions of to-day as contrasted with those of normal times, and the interest of the shipowner therein.

For the sake of simplicity we shall deal only with English exchange (sterling) from the New York point of view; from which a rise in sterling means an advance in the cost of the pound expressed in dollars; while a fall in sterling means a decline in the cost of the pound and an advance in the value of the dollar. In expressing the exchange relation, two currencies work like a pair of balanced scales — the advance in one inevitably means the corresponding decline of the other. (Of course, the same principles apply to French, Italian, and other currencies.)

The "par" of sterling is \$4.86 $\frac{2}{3}$ . That is, in a gold

sovereign there is enough pure gold to make four and .86 $\frac{2}{3}$  gold dollars.

When, under normal commercial and financial conditions, American exchange bankers have cashed, and sent forward for collection, large amounts of sterling bills; and when they have credited London, against these collections, with the proceeds of English drafts on New York, London payments on tourist letters of credit, and whatever other credits may be due, there will remain a debit or credit balance which must be dealt with in one of the following three ways:

1. It may be liquidated by further bills drawn on the creditor market.
2. It may be settled through the export of gold from the debtor market. Or
3. It may be held open until a more favorable time for settling, which may be influenced by the relative rates of interest, and surely will, by the movement of merchandise.

Supposing that this balance is owed by London to New York, London bankers will bid up for bills of exchange drawn on New York. Such bidding may bring out the desired amounts, or it may not. If it does not, the price of dollar exchange in London may rise to such a level that an English debtor can buy gold in London, transport it to New York, and there convert it into dollars, for less sterling money than it would cost to buy an equal amount of New York exchange. This will be the gold export point in London and the gold import point in New York. Before the war, this point was reached with demand sterling at about \$4.83 to the pound.

But if New York owes London on balance, New York bankers will bid for sterling bills on London. If the balance is not sooner liquidated, the cost of the pound may go so high in dollars that a given number of dollars will buy and export to London a greater sterling value in gold bars or coin than it will purchase of sterling bills. Then New York will pay in gold. This will be the gold export point in New York and the gold import point in London, and in normal times was reached with demand sterling at about \$4.88 to the pound.

It will be clearly perceived that when the exchanges of the main financial centers come nearest to balancing, the danger of violent fluctuation in exchange and of international financial disturbance is at a minimum. Those who can remember back to 1893 (when not only the balance of trade was against us, but distrust of our currency system resulted in the realizing of large English holdings of American securities) will recall the profound disturbance, and almost disaster, that resulted from the threat to our gold reserve, and President Cleveland's sale of bonds to protect it.

To-day, owing to the frightful effects of the war, we have the reverse situation, in which the balance of trade is so heavily in our favor and the devastation of war has so impaired the productive power of Europe, that not only are their debts to us and others overwhelming, but, owing to present conditions, there is no hope of immediate payment.

All the war-broken countries are too poor to pay their balances in gold, and too disorganized to pay in goods; so that pounds, francs, crowns, marks, and lires are at appalling discounts when compared with the normal. As usual, sterling stands up best. With an



enormous fleet of freight steamers constantly crossing loaded with American products, European exports are at so low an ebb that the same ships must return in ballast. Europe has little or no surplus to sell.

Now, here comes the problem which the world must solve in the immediate future; and the shipping man has to guess how it is going to be solved. How can our customers buy our goods if they have neither goods nor money with which to pay? If there is no answer, freights are bound for a calamitous crash, and ocean tonnage to an appalling shrinkage in value.

It must be hoped that an answer will be found, and it is difficult to conceive any other answer than this: that, on some terms or other, the neutral countries, who have grown rich as a result of the war, and our country, which has suffered the least of all the belligerents (relatively to our wealth), must extend the helping hand of credit to our customers across the water, giving them time to reorganize their industries and pay us in goods. In gold they never can pay us, and, if they could, it would not be in our interest to take it.

This amounts, of course, to nothing more than selling them goods on long time, and the way these enormous transactions are to be financed over long periods is the problem now confronting all the nations, creditor as well as debtor, neutral as well as belligerent. In view of conditions, it would seem that these credits must be extended and protected by government agencies. The risk is too vast for private enterprise. No industry has a more vital stake in the solution than the shipping interest in all its branches.

One more point should be noted in relation to the present fall in exchange.

One often hears the question, why are francs and pounds not supported as they were during the war? Of course, artificial support of any market is a purely temporary measure, and is about as good a substitute for the natural play of supply and demand as a hose-pipe is for an insurance policy. Any granting of time on debts is in its nature merely temporary. The present decline in foreign moneys is not only inevitable, but is distinctly curative in its tendency. For this reason:

The price of the pound is now <sup>1</sup> down, say, 20 per cent. from its par of \$4.86 $\frac{5}{8}$ . To an Englishman this is nothing more nor less than a price advance of 20 per cent. on anything for which he must pay dollars; that is, American goods are up 20 per cent. on appreciation of the dollar alone. This advance in price restricts imports. But, as the decline in the pound cheapens English goods to the foreigner, it also stimulates English exports. In brief, the present position of sterling exchange promotes economy and industry in England, and thus tends automatically toward ultimate relief. It has something of the combined effect of an export bounty and a protective tariff. And this is the principal reason why artificial support is no longer wise. Any action that interferes with or discourages economy and industry is injurious.

A direct result of these unnatural exchange relations may be seen in the inducement to foreigners to realize their American securities. To sell an American security for dollars is now equivalent to a price over 20 per cent. higher in sterling. In other words, the Englishman who sells for American money is 20 per cent. better off than if he had to sell for English money.

<sup>1</sup> Sterling cables @ \$4.90.

This is resulting in the return of American investments at the reported rate of \$50,000,000 a month. This, again, is curative in tendency, as releasing capital for English use and making an additional call for saving on this side.

Now, the purpose of going over all this elementary ground is to make it clear to any who may not have come in contact with the ordinary exporter's routine. An able man who had for some years been active in exporting goods would be a great asset in a shipping office, for he would have a ready comprehension of his customers' point of view, such as can hardly be obtained otherwise. On the other hand, a man with shipping experience would be valuable in an exporter's office, if only to keep the latter from asking the ship agent to do things that would be sheer insanity.

What the shipping man should always realize is that business is, in the end, dependent on its being mutually profitable, and that it pays him to do all that he consistently can to promote close relations with his shippers. In every transaction there is a freight that is the commercial limit. One may squeeze it beyond that point, but in such case the transaction does not pay the difference — the shipper pays it as a loss. The shipper and freight broker have been at a discount for five years, but the natural advantage is always, in normal times, with the buyer; and the day is coming when the ship agent is going to look longingly after the buyer of space and his agent the freight broker.

The shipper has already learned that in trying to break a strong market he may break himself. His discipline came in the first two years of war. He



needed that lesson, for from 1901 to 1910 he was thoroughly spoiled.

Now it is evident that, important as are all the documents in the set, the bill of lading is the most essential. A commercial set without the bill of lading would be like the play of "Hamlet" with all the characters left out but the ghost. A genuine bill of lading shows at least that something has been shipped, but in its absence there is no proof at all of any completed transaction. If a man really wants to cash in on a commercial set, even a forged bill of lading is better than none at all. And that point is well worth remembering, in case any attractive stranger should want you to negotiate a foreign draft for a too liberal commission. Such things have been known.

Both commercial and judicial authorities, here and abroad, have been guided, in their attitude toward various controversial matters, by the necessity of protecting the holder of the bill of lading, and placing responsibility upon the issuer of that document, or the owner of the ship. Therefore whoever, for the purposes of the transaction, may stand in the owner's place, must count on being held. This we shall see when we come to study the bill of lading in detail, especially in its relation to the charter.

It may almost be said that the need for preserving confidence in the bill of lading is so keenly appreciated that it may be met, at the cost of individual rights.

The same necessity has influenced legislation. In this country, the Act of 1893, known as the Harter Act, was indirectly the outgrowth of attempts to dilute the liability of the shipowner to a point where the bankable value of the bill of lading was seriously impaired.

## CHAPTER XVII

### THE TRAFFIC MANAGER: SCOPE OF HIS DUTIES

**T**WENTY years ago an unrecognized writer casually scribbled off a short extempore essay on efficiency. A few weeks later a great railway ordered hundreds of thousands of copies of this essay to distribute to its employees, as an inspiration to conscientious and effective work. The railway was the New York Central, the writer was Elbert Hubbard, and the essay was called "A Message to Garcia." In the last twenty years millions of copies of this have been printed by various commercial enterprises, to put ambition into their personnel. It has become a commercial classic. The gist of this story was that when, at the opening of the Spanish War, a Lieutenant Rowan was ordered to carry a despatch to General Garcia, he silently went away and did it. It took him two weeks.

In the shipping business one must go Lieutenant Rowan one better. He must not only carry the message to Garcia, but he must get it there to-day — to-morrow will not do.

This is true of the whole shipping force, from the executive desk to the ship's forecandle; but of no one is it truer than of the man who acts as anchor for the team that selects, secures, oversees, and manages the delivery, condition and stowage, of the actual merchandise with which the ship is laden; upon whose shoulders rests the burden of responsibility for the direct and immediate result — the traffic manager, the man who

holds the most exacting and trying position of all in the shore end of the shipping business.

One of the best traffic managers in New York — and also the best-natured — not only asserts that his kind are the most irascible of men, but he shows that they cannot be otherwise.

He admits that when space is scarce, and he gets the cargo on board for a shipper, he may be a good fellow *pro tem*; but under nearly any other conditions he is considered what our old friend the Rev. Mr. Stiggins might call a "vessel of wrath."

When he permits the delivery of 100 tons on dock to go forward "if room," he is the shadow of a great rock in a dry and thirsty land, because he has saved some one hundreds of dollars in demurrage or storage; but when he shuts out 5 tons of such cargo, and causes an expense of \$17 for truckage, he is consigned impressively to outer darkness. When 200 tons of 70-foot cargo must go aboard before the credits expire, and he has no space left for it, then he is an abomination of desolation. In other words, only on those occasions when the shipper can use him is he tolerable.

All the preceding is quoted from a man of experience, speaking in bitterness of spirit.

Now, this is a natural point of view — for a traffic manager. It is with him that the shipping public comes in contact; to him their applications for room are made; and, in markets like those of the last five years, it is from his hands that they receive their disappointments. Hence he is apt to be more or less the target for shippers' ill humor.

His position is at the strategic center of the business, and his functions are of vital importance. His must be



the broadest training of any department head. If a good shipping man must know something about every other man's branch, the traffic manager must have a fair detailed knowledge in most of the other departments that vitally touch his own.

The delivery of cargo in proper rotation; the issue of permits; the daily adjustments of the ever shifting, but vital, relation of the coming cargo to what is already stowed; the keeping a firm hand on the dock; the tactful treatment of the shipper, the stevedore, and the "boss" of the office (who casually promises all sorts of traffic impossibilities to his mid-week golf partners); the constant watching of the changes in the relations of weight, measurement, capacity, draft, and gross revenue; the straightening out of dock quarrels over measurements or tallies; the watching of lighters so as to avoid demurrage — these are all more or less directly put up to the traffic manager whenever they become acute.

He must be familiar with many different types of ships, so that he may select the most suitable cargo for the ship in hand. He must be able intelligently to digest his statistics, so as to lay out his ship to best advantage.

Notwithstanding his having familiarized himself with all the details and particulars of the blue-prints or cargo plan, there are still the individual peculiarities of nearly every vessel to be reckoned with. Some vessels will "go by the head," apparently for no reason — even though the stevedore has stowed her according to rule. Others will submerge according to lifting scale up to a certain point, and then go down too rapidly. Either of these conditions may be occasioned by the engineer "stealing water" for boilers and domestic uses. If the

stevedore is too friendly with the engineer or his staff, there may be an intake of salt water in the ballast tanks to offset an error in loading. If he is unfriendly, the engineer sometimes keeps the stevedore in trouble by "monkeying" with his ballast and fresh-water tanks. These can be checked up by "sounding" the tanks — which means measuring the water in them and calculating the weight. (The depth of water in the tank can be found by measurement, and, the length and breadth being known, the cubic is easily ascertained. As 35 cubic feet of fresh water weigh one ton, the problem is simple enough.)

Such trouble might occur if a vessel were fine forward and blunt aft, and cargo laid out for after compartments was being loaded fast while forward compartments were loading slowly. This would occasion the vessel to go by the stern rapidly and the forward portion, being finer, would receive less upward pressure from the water, or buoyance, as it is called. Therefore a false immersion would be shown. As the vessel's head was brought down to even or proper trim, she would again displace according to scale.

If the ship carries an inward cargo, he must be sure that the requisite custom-house formalities are complied with; the discharge promptly started and uninterruptedly continued; often by discharging from one hatch while loading goes on at another.

Bunkering must not be allowed to interfere with the loading of cargo, nor should it be slowed down so as to delay the ship after loading is complete. The same is true of provisions, deck and engine supplies, and repairs; which, while strictly in charge of the port captain, are so intimately related to the results for which

the traffic manager is responsible that he cannot safely forget them.

All such matters one may say are for the marine superintendent or superintending stevedore, and the traffic manager will agree; but it is a perfectly safe wager that whenever anything of this nature happens it will be put up to the traffic manager — usually at a time when he has need of his utmost concentration of mind. It may be that he is closing a contract with a slippery broker who will stand watching even when asleep. Or perhaps his ear is glued to the telephone as he listens to the woes of some shipper who beseeches that his bills of lading be signed to put through the bank at once, although the cargo itself is not yet delivered to the ship. He will feel thoroughly at home when such trying situations occur at 11.35 Saturday morning, and a holiday falls on the Sunday, which is to be celebrated on Monday.

The traffic manager, as his title implies, must know traffic and traffic conditions from the ground up. He must keep posted as to the embargoes established by the various railroads. He must be conversant with routes (water, automobile, or otherwise). During the war he had to arrange for the issuance of licenses, or G. O. C. permits for his engaged cargo. He had also to secure a guaranty from the shipper for whom the property was brought in, so that, in the event of any accident preventing exportation, delivery would be taken by the shipper or his agent, or the goods warehoused to prevent terminal congestion.

It is his business to know railroad rates on export and import business, as well as differential rates to the different seaports, to enable him properly to construct



through rates on competitive business. In this he can usually count on the assistance of the foreign freight agents of the different railroads. But he must be familiar enough with them and their tricks to know just what is going on. He must be familiar with through bills of lading carrying advance charges or back charges to be collected against delivery of cargo at foreign interior destinations. Also these bills must be correctly figured and collections made for the railways. The accounting or treasurer's department will pass along these pleasant matters if they can.

He must know cargo accurately: the nature of it — whether inflammable, explosive, odoriferous, subject to leakage, etc. Further, he must know the relative weight and cubic measurement of any commodities, from pig lead to feathers in bales, including cattle on the hoof, and dressed meat for refrigeration, or insulated space.

If his company has a broad range of routes, his finger must be continually on the pulse of the market, not to one port, but to many. He must have a constructive opinion as to the course of rates in the immediate and distant future. There can be no happening in any line of business that may not be reflected in his range of interests.

When it is said that the traffic manager must do and know these things, of course it is not meant that he must attend to all these details in person. But they must be handled in his department, which generally means that everything, except what runs smoothly, banks up on his desk for advice or instruction in the end. He and his department are the heart and lungs of the business. Fully 80 per cent. of the vital work is to be performed or supervised by it. Here is the place whence the reve-

nue comes. Other departments accomplish, regulate, and check up the expenditure; but the traffic department is where the money-making is engineered. No matter how good company officers may be, unless the traffic man is on the job all the time, the organization is built upon sand.

## CHAPTER XVIII

### THE TRAFFIC MANAGER (*continued*): MAKING READY FOR THE SHIP

LET us follow the actual course of a traffic manager's work in connection with berth business, where ships are not run in regular line, but berthed as opportunity may offer.

As soon as it is decided that his company or firm is to operate a steamer, the traffic manager will have instructions sent to the marine department of the telegraph companies, that wire notifications of the ship's arrival shall be sent to him, as well as other interested departments of his company — the marine superintendent, wharfinger, shore steward, and general manager. The telegraph company must have business, residential, or transient telephone numbers where these people may be reached, night or day. A clerical detail, but important enough to be necessarily checked up (if not actually performed) by the traffic manager.

Next, he will ascertain whether the ship comes in with cargo or in ballast. If the former, arrangements must be made for a suitable wharf, unless his company has a pier of its own, for lighters and (at most ports) railroad cars for the prompt discharge and distribution of cargo. If heavy packages or the nature of the cargo demand special equipment, this must be arranged. If not done directly by him, it must be done under his supervision.



Frequently it happens that necessary information regarding the character and quantity of cargo or ballast on board will have to be obtained by cable or wireless; for if ballast material is saleable he must consider the possibility of selling it to contractors; and he must know or ascertain the proper channels of disposal. If useless it must be dumped, which will mean arranging for scows to remove it. If the wireless is used to obtain the above information, the traffic manager will probably incorporate in his radiogram an inquiry as to what repairs are needed — whether minor or major, and, if major, whether drydocking will be necessary.

If the machinery requires repairs or replacements, the wireless inquiry should prompt the master to give details in his reply; which should also include the date and hour when he expects to arrive.

Upon receipt of information as to time of arrival, clearing the berth will be in order, or the breaking of ice if the weather is cold. All things must be done as quickly as possible, so as to avoid delaying the steamer when she arrives off her dock. The traffic department must also notify the stevedore to arrange his gangs, and prepare and inform the dock force, so that it may anticipate the ship's needs with the greatest economy of time and money. It may even be necessary to keep time men (like longshoremen) on pay before the ship arrives. This is a time calling for judgment in expenditure: the truest economy may lie in large expense, and short-sighted parsimony may prove the greatest possible extravagance.

Last but not least, a basis for the "permitting" of cargo, in the proper order, must be found. Dead weight, heavy cargo, any packages too large for 'tween-deck

spaces, must be permitted for early delivery; medium or suitable 'tween-deck cargo next, with the approximate quantity of bulky or light merchandise to complete the balance of cubic space remaining. If the steamer is to arrive at her pier in ballast, and from 800 to 1,500 tons of lower hold cargo is at once available for stiffening, the traffic manager may arrange for the "permitting" of as much as 1,500 or 2,000 tons of freight a day until the cargo engaged is all delivered. Otherwise stiffening cargo must be hurried forward with all despatch.

It will be readily observed that an inquiry in the wireless message relative to the time of the steamer's arrival may be of great importance; since it may enable the manager to minimize delay in markets like to-day, where the time of a ship is worth a small fortune.

If the cargo is not already engaged, the shipping public must be advised of the ship's berth and her destination. For this the traffic department prepares an "ad" for insertion in what the manager considers the best advertising medium. His "ad" will be arranged after this fashion: Name and classification of steamer; sailing date, loading port and destination. Loading pier, and period during which cargo will be received. Address of company and telephone numbers.

This advertisement will be supplemented by circularizing the clients upon his mailing list, who may be classified in any way that suits the general method of the office. For this a card index is the most practicable record, and a convenient way to keep the cards is under general divisions such as brokers, general shippers, machinery shippers, metal shippers, oil shippers, packers, canned goods, flour, starch, condensed milk, wire, hay, cotton, tobacco, foreign freight agents of railroads, ex-

port managers, etc.—classifying mainly by the nature of cargo, but including such other headings as experience has shown to be useful.

If the manager has a good freight solicitor under him, he lines up a list of accounts for the latter to drum up for any freight that is especially suitable to the ship's needs of stowage or draft; or which is known to be in demand at the port of discharge. If he has tact, the broker or shipper who may have had freight shut out, or who was too late in applying for space on a former steamer, will be borne in mind and given an opportunity to "get off" his shipments. If the steamer is put on for a port where demand is strong and space is scarce, great pains should be taken to be impartial in distributing the space among shippers. This requires diplomacy and patience, but will make friends and business for his company. One can readily imagine the sentiment that would be aroused at any port against a company that should dispose of space only to favored brokers or shippers.

If the steamer be put on to an Italian port (for instance) and is to return directly, the freight solicitor will be sent to Italian shippers and importers, so that return cargo may be secured, if any such exists. This matter must be handled rather carefully, as foreign shippers usually have their own ideas as to whom they will patronize, and do not take kindly to routing suggestions from the importer in America. Therefore the traffic manager must plan to coöperate with and support his solicitor when seeking such business; and of course he must now, as always, aim at the best possible rate for his space. It may even be found necessary specially to engage an Italian solicitor to circulate through the



trade, for it is only natural that any nationality should be more favorably inclined to one of its own blood and language. (Hence all that is said of Italians would equally apply to any other nationality.)

Of course, those companies that have their own foreign offices are in an advantageous position as to return cargoes. But even then it is the traffic manager's lookout to see that the best possible direct and indirect results come from his handling of the room that he controls. To whatever country or countries the company is trading, special attention should be given to brokers handling the accounts for those ports. They should be cultivated officially and unofficially, in and out of hours, with the view to securing their good will and sharing any business they may have to give out. The traffic man may be sure that business can only be made permanent — that he can only keep it in the end — if he deserves to keep it. A cordial relationship between the freight broker and traffic manager is the natural one; each is in a position to be of service to the other. A friendly freight broker is always an asset to a traffic manager; and a freight broker can never tell when the kindly feeling of a steamship man may clinch a valuable account for him. Since the war broke out the traffic man has had the less need of the broker; but war conditions are passing, and in the competitive times that are at hand it will pay both to keep close to each other.

Not unduly to protract this sketch, there is one characteristic without which no traffic manager will be successful. It may be dubbed originality, or possession of ideas, or being a self-starter, or "making his own steam."

When one finds a man who eats and sleeps with his

work, who never has time to watch the clock, who has no undue thought of pay-day and quitting time, and who draws upon his own ideas to develop business for his firm, it may be said of him that he makes his own steam: he is a man to tie up to.

When a man is always trying to use another man's brains for his own work, always asking questions, always discovering difficulties, never solving problems, never clearing up perplexities; or a department head loafes on his job, and steals credit for the work of an underling (there are such), make up your mind that some one must buy steam for him all his life. He is born to be a human trailer. Such a man can never carry the message to Garcia. And the man who cannot do that will not be a successful traffic manager.

Before the cargo can be intelligently planned (or, as it is called, "the ship laid out") the traffic man must acquire full knowledge of the physical conditions of his problem. This is in part afforded by his blue-prints, which give intimate details of the ship's construction, dimensions, and limitations. From them he will glean (and he should permanently record) the following items:

1. Name, flag, class, and signal letters. Daily fuel consumption, speed, particulars of boilers and wireless, number of officers and crew.
2. Dimensions (length, beam, depth), depth of hold and 'tween-decks; tonnage, gross, net, and dead weight; cubic capacity (grain and bale).
3. Draft, light, loaded summer, loaded winter in salt water.
4. Immersion scale, displacement in tons per inch submersion.

5. Fuel used (oil or coal). Location and capacity of permanent bunkers. Location and capacity of any compartments used as reserve bunkers.
6. Tanks — number, arrangement, and capacity of ballast tanks; number, arrangement, and capacity of fresh-water tanks.
7. Cargo facilities. Number of winches. Details of derricks and booms.

Hatches. Number, location, and dimensions. Details of cargo compartments beginning with No. 1 hold forward and working aft, and upward to include the bridge and poop compartments (if any).

He will be careful to ascertain whether cargo is carried in any unusual place, such as the forecastle, forepeak, alongside engine casings, or under the bridge. Usually sufficient cargo can be obtained after arrival to fill any doubtful compartments; so that sure information on such points may be obtained from the master, or from inspection by the port captain.

Before finally fixing upon a plan of operations, necessary allowance must be made for the accommodation of provisions, stores, and fuel. From the total cubic and lifting capacity of the vessel, deduction must be made to carry the bulk and weight required for the "ship's housekeeping," since the ship must have food and water for her crew, fresh water for her boilers, deck and engine supplies, and above all fuel for her furnaces. All these things use up both lifting and cubic capacity, and before laying out his cargo the traffic man must know what they are going to weigh and measure. Then, and then only, he will know how much weight and measurement he may accept as cargo.



## CHAPTER XIX

### GENERAL CARGO; SELECTION OF CARGO; BUILDING UP THE REVENUE

**W**E have learned <sup>1</sup> that our ship of 7,300 tons total dead weight, bound from New York to Genoa and return, will require 1,000 tons of fuel oil and 300 tons of stores and water; a deduction of 1,300 tons, which will leave her a net cargo capacity of 6,000 tons.

If she is on time charter, her hire is payable on 7,300 tons. Our traffic man, therefore, now knows his problem, which is this:

How to sell 6,000 tons of dead-weight capacity and/or 300,000 cubic feet of space for general cargo, so that it will pay hire and expenses on 7,300 tons of dead-weight capacity, and leave the largest margin of profit.

Beginning the solution of his problem, he proceeds to "lay out" his ship; that is to say, he plans for the securing and stowing of the cargo. In this operation the first requisite is a knowledge of the nature of the freight available — that is, the freight that can be ready for delivery when the ship is ready to receive it. Anybody can lay out a ship with an ideal cargo that he can't get; but it takes a traffic man to know just what he can get and just what to do with it.

Having formed a general idea of the cargo he can obtain, he will proceed to select and adjust it according

<sup>1</sup> See Chapter XI.

to the requirements of the type of steamer employed. He must know and allow for stability, tendencies as to trim, size of hatches, strength of winches and booms, and whether cargo compartments are or are not cut up by stanchions. The depth of beams and frames, depth of holds, heights between decks, and temperature of compartments are also factors that may become important considerations in his problem.

The security of the cargo itself, as well as of the ship, the order of breaking out cargo at destination, and facilities at port of discharge are important. If the ship is to discharge at more than one port, the cargo for the last port must be stowed so that it will not have to be rehandled to release that which is to be put ashore at the earlier ports of discharge. The general rule for this is — cargo for first port to be stowed last; cargo for last port to be stowed first. But very heavy cargo must, of course, go on or near the bottom, for whatever port it be destined.

Thus the traffic man goes through a process of mental stevedoring — “stowing the ship on paper,” as it is often called. The work is a good deal like making the pattern for an old-fashioned dissected puzzle-map; when the pattern is made, the traffic man's job is to fit the actual pieces of the puzzle together — every piece must fit exactly into its appointed place, and each piece must be at hand when wanted, or the whole job is delayed.

The selection of cargo will be made (assuming conditions to be such as will permit the ship to select) with a view to its freight-paying capacity — cargo of high value, large measurement, or unusual size of package being marked to pay rates relatively high; while the manager must have a good knowledge of the freight

values of conditions, so as to reject, or penalize in the rate, those that involve extra expense or hazard — heavy lifts and poisonous, inflammable, explosive, corrosive, or caustic merchandise.

Another factor in the problem now crops up. Every ship has the two-cargo capacities that have already been spoken of, weight and measurement, but she has a third capacity — one involving all the factors that determine the first two, plus the available cargo, plus the ability of the traffic manager. This capacity is called the "*payable tons*," and consists of the number of tons of 2,240 pounds carried at a weight rate, plus the number of tons of 40 cubic feet carried at a measurement rate, which can be crowded into the ship. This will vary with every voyage — sometimes widely.

It is clear that if a ship of 6,000 tons weight and 300,000 feet cubic (7,500 cubic tons) cargo capacity be loaded with cargo stowing 50 feet, she will make the same revenue, whether her freight be charged at a given rate per 2,240 pounds, or at a rate of 20 per cent. lower per 40 feet; because her cubic capacity is exactly 125 per cent. of her weight capacity. Concretely, 6,000 tons weight at \$30 per ton weight will give the same result as 7,500 tons measurement at \$24 per ton measurement.

If the ship be loaded wholly with dead weight her manifest will show (for instance) the following results:

#### *Cargo 1:*

6,000 tons copper ingots at \$30 per ton weight — \$180,000. In this case only 20 per cent. of her cubic would be utilized and 80 per cent. go to waste; for copper ingots use only 10 feet of space to the ton.



But if she were loaded with light cargo (say extra density cotton) she would show:

*Cargo 2:*

7,500 cubic tons cotton at \$30 per ton measurement — \$225,000. In which case she would be full, but nearly half her dead-weight capacity would be unused. (Ordinary cotton will stow about 125 feet to the ton, but density, or extra compressed, cotton will stow about 90 feet at New York and perhaps as low as 80 feet to the ton at good Southern cotton ports.) Rate on cotton is uniformly made at per 100 pounds. The rate, however, is based on the space occupied rather than the dead weight used, and is an illustration of a weight rate on what is in reality taken as measurement cargo. For purposes of illustration we have used a rate per 40 cubic feet.

In neither of the above cases would she be full and down. But if she were loaded with copper stowing 10 feet and density cotton stowing 90 feet her manifest might show thus:

*Cargo 3:*

3,000 tons copper, 30,000 feet at \$30 per 2,240 pounds....	\$ 90,000
3,000 tons cotton, 270,000 feet at \$30 per 40 cubic feet....	202,500
	<hr/>
6,000 tons weight 300,000 feet	\$292,500

With this cargo she would not only be full and down, but would gain, in gross revenue, over 60 per cent. as compared with cargo No. 1; and  $33\frac{1}{3}$  per cent. as compared with cargo No. 2. Her "payable tons," in place of 6,000 tons weight, as in cargo No. 1, or of 7,500 tons measurement, as in cargo No. 2, would total thus:

*Cargo 3, Payable tons:*

Copper (by weight) .....	3,000 tons of 2,240 pounds
Cotton (by measurement) .....	6,750 tons of 40 cubic feet

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Payable tons ..... 9,750 weight and measurement

A combination of conditions that would permit this exact result from this exact cargo is about as common as the man who drew the grand prize in the lottery. But such an extreme example illustrates the idea more clearly than a longer and more probable cargo list could be made to do. The principle involved will be always before our traffic man's mind — how to increase the “payable tons.” It is almost as important as the rate itself.

The following shows the result with a different cargo:

*Cargo 4:*

1,000 tons copper... (10 ft.)	10,000 feet, at \$30 weight	\$30,000
2,000 tons oil..... (60 ft.)	120,000 feet, at \$30 measurement	90,000
1,000 tons machinery (70 ft.)	70,000 feet, at \$30 measurement	52,500
2,000 tons sugar.... (50 ft.)	100,000 feet, at \$30 measurement	75,000
<hr/>		<hr/>
6,000 tons weight	300,000 feet	\$247,500

Here we have the ship full and down with 8,250 “payable tons.”

We shall again revert to this, but it is well to get the matter of payable tons clearly in mind before proceeding further. Keeping in view this important point, the traffic manager proceeds with the details of his cargo.

In stowing any general cargo there will occur waste and loss of space from irregularity in size and shape of cargo, the interruption of stanchions and frames, spaces between beams, and the general perversity of all things material. Cargo that fills these spaces and reduces this

waste of room is known as "small stowage" or "beam filling." Small stowage should be carefully looked after from the beginning, or there will be a serious loss of cubic which will tell unfavorably on revenue. Not only must the cargo itself be diligently sought for, but the dock force should be trained to watch small stowage as if it were jewelry; for longshoremen, like other natural forces, follow the line of least resistance, and small cargo is very easy to handle. The average beach-comber can waste small stuff faster than two lighters can deliver it.

Therefore, some one of the dock force should watch the stowage all the time, lest the pains taken in the office to secure small stowage be wasted. Binder twine, canned goods, boxed fruit, paraffine wax, are all good stuff to fill breakage. Rough staves are fine for chocking barrels or filling spaces between round packages, or for wing filling, so that the cargo may not work loose and shift. For barrel cargo it will be necessary to buy "quoins"—small blocks for chocking the ends of barrels to take part of the strain off the bilge. These are specifically required by underwriters' rules. "Last blocks" are excellent barrel chocks. Cordwood is largely used for dunnage purposes—chocking, wedging, etc., but cordwood has gone so high of late that old-timers, noting the bills, have to pinch themselves to be sure they are not in a nightmare.

It is not well to be too stiff about rates on small stowage, for much of it will cost the ship no space at all—as the stevedores would say, they will "lose" it. It is far better to take it cheap than to waste the space altogether.

Sometimes it is possible to secure rough lumber at a

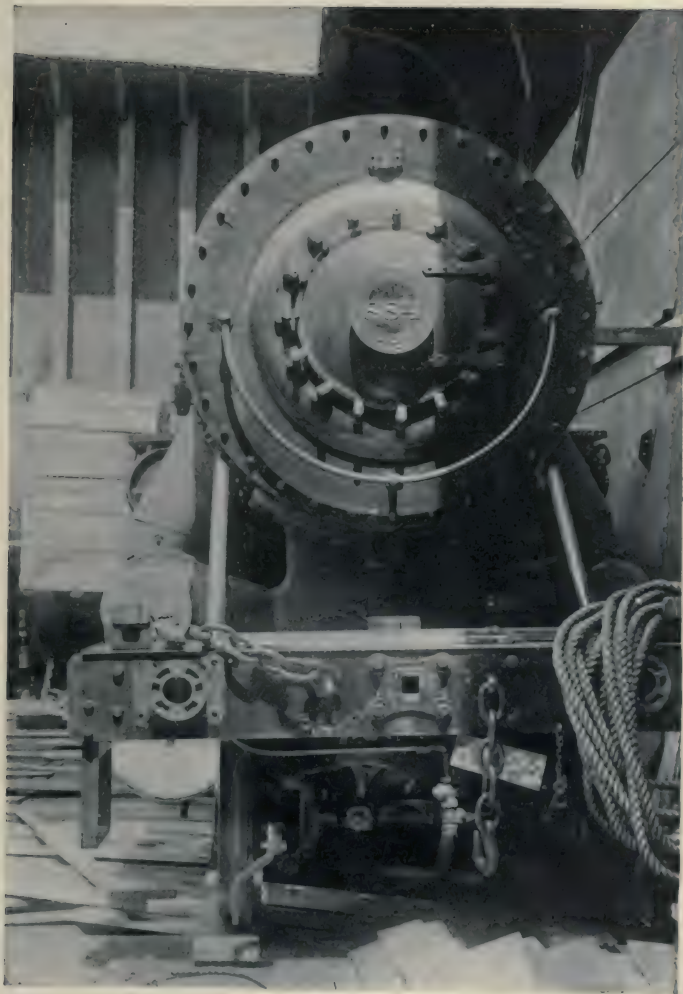


very low rate, with permission from the shippers to use it as dunnage. This is good business for the ship, as otherwise the dunnage would have to be bought at from \$25 to \$30 a thousand feet, and, of course, it would pay no freight. But in case lumber is accepted for use as dunnage, the fact should be noted on the bill of lading in some such form as this:

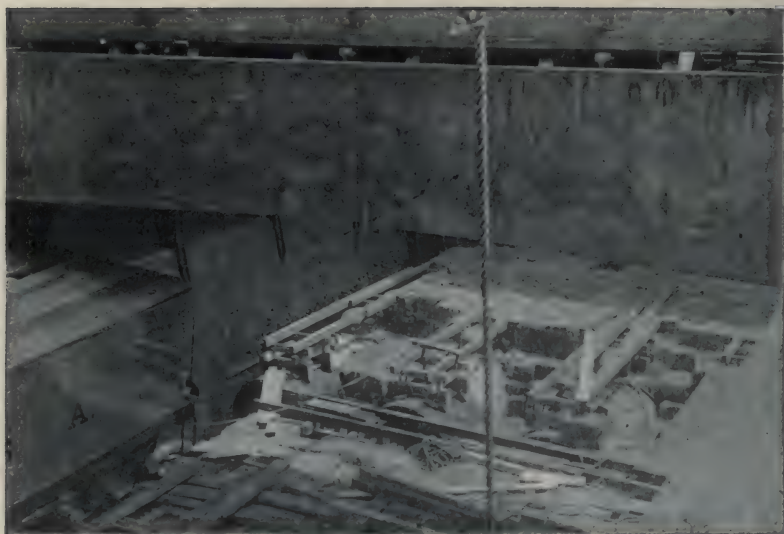
3,000 staves, more or less (shipper's count), to be used as dunnage. Ship, master, owner, or agent not responsible for loss or damage. All on board to be delivered.

For a 6,000 or 7,000-ton capacity steamer, 1,500 dunnage boards and say two cars of staves would make excellent stowage, especially if the cargo contained a fair proportion of barreled goods. In case heavy machinery, locomotive parts, or similar cargo is to be carried, heavy planks and timber should be supplied for chocking off and as dunnage. It will be poor economy to skimp on this; for if such cargo ever breaks loose the cargo consignees will have a claim that will hurt. When such cargo has been booked, a good combination can be made by baled hay or cotton, barbed wire in coils, and wire rods in coils. These packages are of suitable size and strength to make fine cargo for chocking off, bracing, and wedging heavy cargo of irregular shape which is bound to work loose from the motion of the ship unless solidly secured when stowed; also for protecting the sides of the ship against the violent impact of boilers, driving wheels, heavy machinery, etc.

When the stevedore's job on a general cargo ship is done right, the ship ought to be able to do everything but turn a handspring without shifting the cargo. On this class of goods a shifted cargo is always a reproach to a



WEDGING IN THE HOLD



CHOCKING LOCOMOTIVES WITH HAY



LOADING LOCOMOTIVES



stevedore. No precaution is too great to take to prevent the crashing of heavy packages against other cargo, or against the frames and plates of the ship.

We all become so accustomed to speaking of thousands of tons in a matter-of-course way that our minds cease to grasp the terrific power of a 12,000-ton ship and cargo, wrenched, twisted, and driven like a cockleshell by thousands of tons of crashing water. It is amazing that anything made with human hands can hold together under such hammering. And the technical skill and marvelous horse sense that can pack therein 7,000 or 8,000 tons of every kind of merchandise, so that it will cross the North Atlantic without disaster, is worthy of high respect. All this is a commonplace, and yet we are mentally ignoring it every working day. But if we watch a two-ton steam hammer at work we are impressed. The human mind is a queer thing.

# PROPOSED LOADING REPORT

Date, Dec. 30th, 1919.

Cargo to be loaded in and upon the S. S. *Helen Angier*.

Voyage No. 3.

Sailing January 20, 1920, for Genoa, Italy.

Total Dead Weight .....	7,300 tons	Cubic Capacity (Bale) .....	330,000 feet
Less:			
Fuel .....	1,000 tons	Less cubic deducted for extra fuel, crew, quarters, etc. ....	
Water .....	200 tons	Less 10 per cent. Broken Stowage.....	33,000 feet
Stores .....	100 tons	Total .....	297,000 feet
Total .....	6,000 tons		

Broker	Shipper	Packages	Commodity	Total Weight	Meas't Cubic Feet	Permit	Delivery Record	
							Weight	Cubic
L. & M. L. & M. Caldwell Direct Ward D. & G. Nichols	Iovanus Export Co.	16 M 2 Cars	Boards .....	20		✓		
	Iovanus Export Co.		Staves .....	30		✓		
	U. S. Steel Co.		Steel Billets .....	1,000	12,000	✓	1,000	1,400
	Am. Machy. Co.		Machinery 1 .....	800	56,000			
	Standard Oil Co.		Oil .....	500	30,000	✓	500	
Marsiller Davies T. & Co. Davies T. & Co. A. J. M. Various	Seggerman Bros.		Salt Meats .....	1,500	75,000		1,500	600
	Am. Trading Co.		Bale Leather 1 .....	200	24,000			
	T. G. Sealy		Turpentine .....	200	12,000	✓	200	
	Pacific Trading Co.		Oil Cake .....	800	28,000	✓	800	
	Lamborn & Co.	10M Bags	Sugar .....	500	25,000		500	
Various	Robinson & Cull		Automobiles 1 .....	100	15,000			375
	Nestle's Food Co.	3,700 Cs.	Condensed Milk ...	100	5,000	✓	100	
	Various		General 2 .....	250	15,000			375
				6,000	297,000		4,600	+2,750 = 7,350

<sup>1</sup> Rate per foot.

<sup>2</sup> Details immaterial in pro-forma.

## CHAPTER XX

### GENERAL CARGO: PLANNING THE STOWAGE

**T**HE exact methods of keeping the records of cargo, as the planning, engaging, and loading progresses, is like the spelling of Mr. Weller's name, which depended on the taste and fancy of the speller. Upon a usual form of traffic record are stated the ship's name, destination, dead weight, and deductions, and the cubic (bale) capacity, from which last we deduct 10 per cent. for general cargo. (This is the usual allowance for breakage on "general" as compared with "bale.") Bale cubic is about 10 per cent. less than grain. Many like to figure general at 18 per cent. less than grain — but it is a pure guess within two or three per cent., or even more, until the final figures are made up.

This form provides proper spaces for the following information in regard to each lot of freight engaged. (a) Name of shipper and broker; (b) commodity; (c) measurement; (d) total weight; (e) total cubic.

In entering up these details, it should be remembered that breakage has already been allowed for in the 20 per cent. deduction from grain capacity. Under "measurement" what should be entered, therefore, is not the way the cargo stows on the ship, but the way it measures on the dock. For stowage is really measurement plus breakage. Thus one ton (5 barrels) of oil *measures* 59 feet 7 inches, but it *stows* in 65 feet. The difference,



5 feet, 5 inches, is "breakage." Now, if breakage is taken off *en bloc* in the beginning, it should not be allowed for again on each item. "Measurement" is therefore better than stowage in a blank like this.

With the usual allowances, our ship now shows 6,000 tons weight and 297,000 feet cubic, of cargo engaged.

If the traffic manager has been long in the business he has his own ready reference book, in which for years past he has entered data useful in just such a juncture. This he will have in pocket form, as he may need it on the dock and in the ship whenever he visits the wharf. From it, and from memory, he will be able to fill out most (perhaps all) of the detail required.

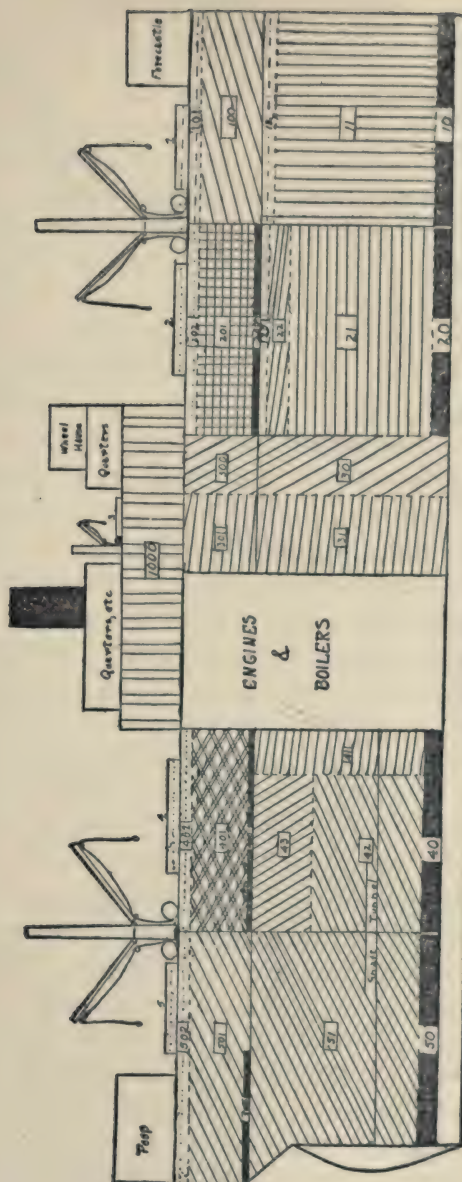
The traffic man having engaged the ship full, let us consider how the cargo has been chosen. Some of the items are significant.

2 cars staves; 16,000 feet dunnage lumber; 3,700 cases condensed milk; 1,000 tons steel billets; and 500 tons sugar.

This traffic manager not only knows his business, but he is playing in luck. Right at the start he has provided dunnage that is bought by the shipper and pays freight to the ship; steel for "stiffening," which will also be useful for trimming ship; about 100 tons of milk, which is excellent beam filling; and (say) 10,000 bags of sugar, which handles quickly and is fine for topping off and filling in. (Of course the sugar must be carefully stowed, so that the bags will not be cut against other cargo; nor their contents tainted by leakage, odors, or effluvia.)

The traffic manager will have yielded something in rate to secure the above. Close, heavy cargo, beam fill-

# CARGO PLAN.



W.G. Davis

HOLD # 5		HOLD # 4		BRIDGE DECK		HOLD # 3		HOLD # 2		HOLD # 1	
100	Steel	40	Steel	1000	Leather	30	Bagged Sugar	20	Steel	10	Steel
101	Salt Meats	41	Oil Cans			31	Oil Cans	21	Marine	11	Oil
102	Salt Meats	42	Salt Meats			32	Bagged Sugar	22	Bagged Sugar	12	Condensed Milk
103	Salt Meats	43	Bagged Sugar			33	Oil Cans	23	Tween Deck	13	Tween Deck
104	Steel	44	Steel			34	Bagged Sugar	24	Steel	14	Tween Deck
105	Salt Meats	45	Salt Meats			35	Oil Cans	25	Marine	15	Condensed Milk
106	General	46	General			36	General	26	General	16	General

ing, and dunnage wood will all call for a cheap rate in ordinary times.

The next items will tend to even up on the revenue: 100 tons automobiles; 200 tons baled leather; 800 tons machinery. These are all bulky commodities of high value and can stand good rates. They will tend to restore the equilibrium between weight and cubic, which was disturbed by the steel billets.

The next items are 800 tons oil cake and 1,500 tons smoked or salted meats. These are fairly close stowing, handy packages, and of good value. They usually pay a good rate on a weight basis.

Twenty-five hundred barrels lubricating oil and 2,000 barrels turpentine are of about average stowage and pay on a weight rate. The turpentine might be taken for carriage "on or under deck," ship's option. These two items are only fair cargo, but can be handled rapidly, which is a consideration. The last item (250 tons miscellaneous) is a summary statement of a variety of small engagements of all classes of cargo. The stowage (50 feet to the ton) indicates a fair proportion of heavy goods. There should be found much here that will do to fill breakage or beams; and the assortment undoubtedly would pay full rates.

At this point the traffic manager begins to lap over on the stevedore's job, for he is about to begin his "paper stowage." But an experienced traffic manager takes nothing for granted — not even the stevedore. He has learned to respect the advice of the late Josh Billings, "When called upon to pray for a dead mule always pray near the head," and takes no chances that can be avoided. Hence he stows the ship in his mind — he makes the paper model for his puzzle; and if the steve-



dore wants to vary from it he must show cause to the traffic man.

To insure an even distribution of the heaviest of his cargo (for reasons explained in a previous chapter), he locates 175 tons of steel in each of the four lower holds, the ballast tank tops and ship's sides having been properly protected with dunnage; he allocates 175 tons to the 'tween-decks, thus raising the center of gravity; and he holds out 125 tons to use for trimming when the stowage has progressed further.

Lower hold No. 1 is then stowed with barreled oil, which fills it nicely when topped off with milk. Upper No. 1 is filled with barreled turpentine and topped off in the same way. The turpentine is thus readily get-at-able in case of fire, while no cargo underneath or on top can be damaged by leakage or fumes.

The milk, being in sealed tins, will be immune from the odor or leakage of the turpentine. But sensitive material, such as flour, or sugar in bags or barrels, or tobacco in boxes, could not be used in this way.

No. 2 lower hold is the compartment in this ship most suitable for handling large cargo or awkward packages. No. 4 and 5 have more cubic capacity, but they are cut in the center by the high shaft tunnel, which is a nuisance in stowing cargo that does not handle easily. But No. 2 has not only the large cubic, but the clear space and head-room to handle bulky awkward stuff. This hold, as well as Nos. 1, 4, and 5, already has 175 tons of steel billets on the bottom. Over the billets in No. 2 most of the 800 tons of machinery may be stowed. The large packages will not fit up close to the beams; hence some of the bagged sugar is used above, the machinery first being covered with dunnage boards. Above the

sugar a tier of canned goods may be placed to protect the bags from cutting or wearing on the edges of the beams. Between the beams, canned goods, milk, or small general cargo will be used for beam filling. No. 2 hold in the 'tween-decks will care for the balance of the machinery, part of the automobiles, and canned goods and miscellaneous cargo to help out.

No. 3 holds, both lower and 'tween-decks, adjoin the boiler-rooms, and hence, owing to high temperature, are not suitable for any cargo that will deteriorate with heat. Oil cake and sugar might be placed here — the oil cake aft and the sugar forward. Observe that from No. 2 hold the stowage is progressively of heavier and more closely stowing goods as we work aft.

No. 4 compartments, which are just abaft the engine-room, are almost as bad as No. 3 for temperature; and along the central fore and aft line of the lower hold runs the shaft tunnel (perhaps 6 feet high), on each side of which is to go the 175 tons of steel allotted to No. 4. A bulkhead of oil cake may be built at the forward end of the hold, so that no sugar or meat will actually lie against the engine-room bulkhead. Aft of the oil cake the hold may be filled with salt meats, topped off with sugar. Meats, being classed as wet cargo, can, of course, not be stowed over dry cargo like sugar. In No. 4 'tween-decks can go the balance of the automobiles — topping and beam filling.

No. 5 holds, being farthest aft, and well away from the fires, are highly suitable for the salted meat and provisions. The shaft tunnel running also through the lower hold here, the same course is planned as with No. 4. This is well floored over with dunnage boards, and here are stowed the hams, bacon, salt beef, and pork, tongues,

and other packing-house products, topping off and beam-filling with such small goods as may be left.

In the course of all this stowage the staves and boards have got lost—they have been used as dunnage, and have not diminished essentially the space available for other cargo. That is to say, their economy of use for dunnage, plus their economy of use for filling breakage, will warrant what has been done on the sheet—omitting their cubic from the estimate. Their weight, of course, is there, and is allowed for. Also as the stowage has progressed the 125 tons of trimming steel has been so disposed as to trim the ship to suit the captain.

As the ship leaves the wharf she is some inches deeper than she will be when outside, for the brackish water of bays or fresh water of rivers is less dense than the salt sea water. So that ship will reduce her draft and increase her freeboard as soon as she floats in sea water. Here are 2, 4, or 6 inches to be allowed for, according to the size of the ship and the density of the water where she loads. This is known as "allowance for density."

Now, this vessel of 6,000-ton weight and 7,500 tons cubic capacity shows on her cargo sheet as loading 2,750 tons cubic charged at measurement rate and 4,600 tons weight charged at weight rate, total 7,350 tons payable, or apparently 150 payable tons less than if she had been loaded altogether with measurement cargo.

This, however, is merely apparent; because, while 4,600 tons have paid on the unit of weight, the only cargo on which the weight *has determined* the rate is the oil cake (35 feet per ton) and the steel (12 feet per ton). All the other cargo stows from 50 feet to 150 feet per ton weight; so the space occupied, and not the weight,



*has been the main consideration in fixing the rate.* For "payable ton" purposes, therefore, this is measurement cargo, and payable tons will figure thus:

Weight cargo steel .....	1,000 tons
oil cake .....	800 tons
	<hr/>
	1,800 tons weight
Balance engaged on measurement basis .....	6,425 tons cubic
	<hr/>
	8,225 payable tons

a gain of nearly 38 per cent. over dead-weight capacity, and about  $12\frac{1}{2}$  per cent. over cubic capacity.

The plan of stowage being complete, all that remains is to carry it out. This would not be difficult if the various factors of the problem would only stand still. But the chances are that they will not, especially if the steamer be a chartered one with which the traffic department is not familiar. In that case there is every probability that numbers of "unexpecteds" will turn up when actual inspection is possible or as actual stowage progresses. The unusual number of stanchions that caused complete revision of the loading of one vessel may be recalled; errors in the blue-prints may throw the calculations out; an immersion which does not fit the scale may cause at least temporary dismay; and error in details may be made by the best of men. In such matters as these the advantages of the regular line whose traffic department knows its steamers from A to Izzard may be readily conceived.

## CHAPTER XXI

### GENERAL CARGO: LOADING AND DESPATCHING; GROSS AND NET REVENUE; CHOOSING THE VOYAGE

**W**HEN the traffic department receives a telephone message from the marine telegraph station announcing the arrival of the steamer at quarantine, if the master has not been advised as to where his steamer is to dock, he can now be notified through the towboat company whose boats are employed to assist the company's vessels. Then the department will check up to see if stevedores, tallymen, special hoisting equipment, ballast scows, etc., are all O. K.

The traffic department usually attends to the entering of incoming vessels at the custom-house. If the company does not employ a customs clerk, the firm's custom-house broker takes the captain in hand promptly upon arrival. The master brings ashore with him the necessary "ship's papers" or official documents — steamer's register, declaration, store list, crew list, foreign bill of health, Immigration department forms; and manifest or bills of lading covering inward cargo.

In case heavy weather has been met, the master will "note protest" before a notary public, and this the custom-house broker will attend to. This is important in case of cargo damage.

It is customary to arrange with customs authorities for the placing of a preliminary entry, which permits of

working the steamer as soon as she docks. Permits may also be arranged to discharge or load at nights or on Sundays or holidays.

Next will be arranged the survey of inward cargo (if any) by the port warden and/or the underwriter's surveyor. The latter official will be requested to inspect the steamer for outward cargo and the stowage of the same. His certificates of inspection should be issued in duplicate or triplicate, and one copy at least should be carefully filed.

We shall not follow the actual stowage of this cargo further than we have done in our study of the wharf end of the work, where the stevedoring is actually performed, and where most of the symptoms of the inherent grief and sorrow of the business are first detected. As the stowage progresses, the dunnage, staves, and small stowage gently fade away. Some of the more portable articles of value may also fade away — forever — their only monument the claim for pilferage that will be set up at the port of discharge. But some of the cargo will never be delivered at all. The delinquent shipper will have a perfectly good excuse (sometimes several), but the traffic man cannot use excuses in his business. They are no good even for beam filling. Of course, in the present day of confusion and delays, strikes and embargoes, licenses and permits, red tape and blasphemy, there are many defaults that are absolutely unavoidable; and all parties involved should coöperate to avoid or reduce losses for themselves and for others. But it is also true that war excuses have been shamefully abused by unscrupulous shippers to evade contracts, from unworthy and dishonest motives. When a bunch of these shippers had engagements, and a competing steamer cut



the rate, one would think that the railroads of the country had ceased to function and the War License Bureau had gone on a year's vacation. But whenever freights advanced it seemed to tone up both the railways and the government.

While the ship is actually loading the traffic man goes each day to his desk to find the following reports:

1. Summary of cargo loaded the previous twenty-four hours. This will show him the rate of stowage, and whether the stevedore is playing fair on time and overtime.
2. Lighter list, showing weight and measurement of all cargo loaded "offshore" since last report.
3. Cargo received on dock but not yet laden (weight and measurement).
4. Draft — forward, aft, and mean.
5. Present excess of freeboard, showing unused buoyancy.
6. Unused cubic in cargo holds (by actual measurement).

The last two items will be compared with the cargo alongside and yet to come, to see if they check out. For example, if the excess freeboard is 42 inches and the submersion 1 inch per 35 tons, unused buoyancy is 1,470 tons weight (assuming bunkers, stores, and water to be aboard). If her space measures up 90,000 cubic feet she needs 61 feet cargo to fill. If the cargo remaining to be laden varies far from this stowage, either some correction will have to be made, or the ship cannot be got full and down.

Supposing the cargo alongside to complete the ship averages a stowage of 45 feet, whereas the report shows

the steamer requires cargo stowing 75 feet to fill and put her down, it is perfectly evident that close stowage material must be shut out and bulky cargo engaged and hurried down to finish the loading. This means anxious moments and sleepless nights for the traffic man until things are right again, or as nearly right as they can be made. The quantity of freight shut out, and the amount of cargo in substitution engaged to complete, of course will depend upon the tonnage and cubic loaded in the steamer. So many things require consideration, in a situation like this, that it is useless to attempt any exhaustive treatment of the topic.

If the discrepancy is due to an apparent false immersion shown when the ship is heavily by the bow or stern, it may be disregarded; for it will correct itself when the proper trim is restored. The reason for the difference is that when a ship, very blunt at either end, is loaded heavily by that end, her true cross-section of submerged hull ceases to be amidships, and tends toward that end which is deeper. So that if her draft (that is, her draft half way between stem and stern) is taken, the result shown will be incorrect.

When the traffic department has seen the last box stuffed in, the hatches battened down, the ship pulled into the stream, and has notified the custom-house broker that the ship is ready to clear, its duties on that ship are nearly over, except for revising and passing the bills, smoothing down indignant shippers who have been shut out, assisting the bill of lading department in straightening out tangled receipts, tallies, or measurement; seeing that the proper stamped clauses are affixed; quarreling about lighter demurrage; combing down the dock for its

delinquencies; and coaching the accounting department in relation to the stevedore's bill. So the traffic manager draws a long breath and turns to the next ship. For him a change of troubles makes a nice vacation.

The following is a list of documents that should be handed to the master on his departure:

- Bills of lading (copies)
- Freight list (copies)
- Out-turn manifest (on which to note shortage, overage, etc.)
- Stowage plan
- Letter of voyage instructions
- Forms of log extracts (deck and engine)
- Forms for voyage reports

besides the regular ship's papers, such as

- Registry
- Crew lists
- Local bill of health
- Immigration forms (with details as to crew)

We have purposely used the term traffic manager to represent his department. If a firm has only one ship, of course one man might be called on for approximately some such amount of detail. But in firms operating more than one or two ships at a time this work would have to be distributed, simply because no one man ever born could do it all.

There must, therefore, be organization, and very efficient organization at that, unless the whole department is to run like a train off the rails and bumping on the ties. That organization is, nine times out of ten, the product of the traffic manager's experience, thought,



method, and judgment of men; and, if effective, is altogether the highest class piece of work that he is called upon to do.

If any reader is in the traffic work he will know that all this is true. Surely the traffic man must breathe a thousand times the prayer of Kipling:

If it were mine to choose  
A simple gift from fate,  
I would not ask for rank or fame;  
I would not seek a knighted name,  
Give me for office use,  
One good subordinate.

The curse of his work is its inevitable interruptions. Hence he should by all means be guarded from those that are avoidable.

For many years a sign hung in the traffic department of the French Transatlantic Line office in Steamship Row, Bowling Green, which read thus:

Our hours for attending to

Advertising agents are from ....	9 A.M. to 12 P.M.
Life insurance agents .....	12 P.M. to 2 P.M.
Book agents .....	2 P.M. to 4 P.M.
Solicitors for benevolent purposes	4 P.M. to 6 P.M.

*We attend to our own business at night.*

If you can give the traffic man a lift, don't fail to do it. He has all the load that one man ought to carry; and in helping to lighten it for him you will be fitting yourself to carry it when your time comes. But if you can't help him (whether you be superior, subordinate, co-worker, or outsider), at least don't hinder him by unnecessary questions, complaints, or interruptions.

His life is a series of necessary interruptions; but every time his mind is diverted he is slowed down. He is without question the hardest worked man in the office, when both the quantity and quality of his work is considered.

So, when you see him struggling up his mountain of work, recall yourself the remark of Napoleon as he drew the high-bred dame back from the path of the laboring slave: "*Respect the burden.*"

If the ship be on time charter, and not laid on in regular line, the matter of deciding upon her voyage offers an interesting problem. That decision must result from the consideration of many factors, which vary from day to day, as do most other things pertaining to this business.

To begin with, when and where must she be redelivered? If the date is nine months off, and the place north of Hatteras, practically any ordinary voyage in the world is open. If her delivery is thirty days off, and the place in western Europe, the choice is pretty well limited. If she has a hundred days left and redelivery is in the Mediterranean, one might get in two general cargo voyages to western Europe, or two coal charters to western Italy; or one of each, dependent on her speed and position, as well as the harbor conditions at ports of discharge.

Any congested port is a poor place for time-chartered ships costing from \$2,000 to \$4,000 a day. If one is considering two European ports, and has a thoroughly competent and live agent at the first and an unsatisfactory or untested one at the second, this will be a factor in the decision.

The labor conditions may be decisive as to whether she shall be laid on berth with a high prospective freight list, but risk of delays for chartered owner's account; or sub-chartered on limited lay days with less gross revenue, but with a chance of delay being for sub-charterer's account.

The elements of gross and net revenue; suitability of ship to certain harbors or trades, by build, size, or draft; relation of length of voyage to full capacity and bunkering expense; and other factors of that ilk, are too obvious to require anything more than mention; and we pass them.

In calculating for the Atlantic crossing now, it is, of course, necessary to count on returning in ballast to this side or proceeding from Europe to some district whence there is active export. There are some merchant "Sir Joseph Porters" around who are engaged in moving time-chartered steamers over the bright blue sea, laden with rich cargoes of water ballast, who are going to wake up some fine morning with a bad case of financial headache. The writer has in mind one ship that had spent over half her time running in ballast, and was of course in very bad shape. Her alleged operator then proposed to send her in ballast from Europe to the west coast of South America for nitrates. That sort of ship operation should never be undertaken without the aid of chloroform.

In deciding upon a voyage, the broadest review of the market should be made that the conditions render at all useful. When the choice has narrowed down to two or three voyages, these questions come up regarding each in the following order:



1. What gross revenue may be expected?
2. How long a time will the voyage occupy?
3. What will the charter hire amount to?
4. What will the fuel and port charges cost?
5. What will the voyage charges cost?
6. How will it leave the ship, relative to another cargo, or to her redelivery place and date?

Beware of hasty or ill informed decisions, based only on the prospective freight list. The tendency of the novice is to be dazzled by a high rate and a long row of figures resulting as gross revenue. But the old traffic manager wants to know why; and he knows that the likeliest way to find out is to figure the net. In the course of acquiring the information necessary to arrive at net yield, he will be very apt to uncover the Ethiopian in the woodpile, if there be one.

## CHAPTER XXII

### MARINE INSURANCE

**I**N one of the best sea stories ever written ("Bread on the Waters," by Rudyard Kipling) it is recorded that the shrewd owner of a Scottish steamer used his ship to follow his competitor's vessel for salvage, knowing that the latter's shaft was so cracked that it must inevitably jar off, dropping her propeller in the water and leaving her helpless.

The story is worked out in remarkable detail, from the discovery of the defect in the shaft of the ship as she lay in drydock, to the towing of the derelict home to a £300,000 salvage bill.

The author has even been at the pains of studying the kind of cargo the *Grotkau* would have loaded for her port of discharge; and in general the narrative is worked out with the painstaking care that has been so great a factor in Mr. Kipling's success.

There is, however, one point which it would seem that he overlooked, or perhaps (for the purposes of his story) deliberately disregarded.

He did not say what the underwriters were doing all this time. Apparently this capital defect in the ship's equipment ("a red weepin' crack in the tail-shaft that ye could put a penknife to") was the joke of the waterfront; but the Lloyds inspector never heard of it. No dock foreman, scenting a good job for his employers in replacing the shaft, reported it at the office, or took other pains to see that the glad news went to the proper

quarter. The gossip and scandal of the water-front (which at any seaport is worse than the chatter of a sewing circle) got to every one, including competing owners; but the underwriters remained either blissfully ignorant or calmly indifferent.

This is a flat impossibility. The fact is that not only would the existence of such a flaw evoke prompt protest from the underwriters, but failure to correct it on their demand would invalidate the ship's insurance, and make it impossible to insure her cargo except at prohibitive rates. In that case she could not, of course, secure freights in competition with good tonnage. Although the owners might carry their own risk (or, in plain English, send the ship to sea uninsured), the difficulty in covering the cargo would prove an insuperable obstacle to such a method of procedure.

Marine insurance is a subject so highly technical and so interwoven with complicated subjects (such as general average adjustments, etc.) that any treatment to be at all adequate must be given by a specialist. A recent book by Mr. W. D. Winter, vice-president of the Atlantic Mutual, is perhaps the very best text-book on this subject, and it should be in every shipping man's library. What little we have to say on this subject will be along the most general lines, as detailed treatment could not possibly be attempted in such a volume as this.

We have seen that the insurance policy is a vital document in the commercial set. In some shape — either in the form of the policy itself, or of a certificate from underwriters that they hold the ship (or cargo), covered in case of loss — proper insurance is vital in any financing that is to be done on the basis of either ship or cargo.



Like all other underwriting, marine insurance is essentially a cold-blooded, mathematical proposition. It is purely impersonal. The premiums are figured on the basis of past experience, somewhat on the principle of the life insurance tables. But the intelligent underwriter of marine risks cannot depend altogether on any tables, nor yet on a doctor's examination to tell him whether a risk is good or bad. Not only the seaworthiness of the ship, the length of the voyage, the season of the year and the efficiency of the officers and crew, etc., must be carefully considered, but the nature of the cargo — its liability to damage other cargo or the ship itself, the way it is packed, the way it is dunnaged, the way it is stowed — the risk value of all these and dozens of other items are expressed in the rates which must be fixed daily and hourly on all sorts of risks to all sorts of places.

Of course, neither marine nor any other insurance pretends to restore a loss. In any real sense, a loss is a loss, and always remains a loss. When a ship is sunk or a cargo ruined, there is that much loss of wealth to the world. It may be replaced, but never restored. The purpose of insurance is to distribute the burden of losses so as to make them bearable. Clearly, if owners had to bear all sea losses, only the very rich could venture on ocean traffic, except at the peril of stark ruin. Only when many adventurers contribute to a central fund, whose purpose is to indemnify each contributor for his losses, in the proportion that his contributions have borne to the risks assumed, is it possible for the average man to venture against sea perils. We may be perfectly sure that if Lloyds' agent had been around, Shylock could never have given Antonio and his friends

such a dreadful scare; nor forced Portia to make such a doubtful decision.

It is plain enough, if one thinks a minute, that every risk has its own exact value; that is, there are in every venture so many chances in a thousand of loss or injury, if only they could be ascertained. But only omniscience can know that exact value; for only omniscience can perceive all the factors of a risk, not to speak of their relative importance. So the human mind has to do the best it can in that as in other things.

While the marine insurance business has to deal with its own special varieties of fraud, it has one great guaranty that is lacking in fire insurance. A man may insure his building or his stock, and then destroy it, without risking life or limb; and this is a risk that the fire underwriter must guard against, and does guard against, frequently by severe discrimination. But when a ship is at sea there is an intimate and inescapable relation between the safety of the ship and that of the men who are responsible for her. This relation is fully recognized as an important protection to the underwriters in all maritime underwriting ventures. Hence major operations of a criminal character against the purse of the underwriter are usually undertaken, if at all, either in harbor or when near a coast, or under circumstances that promise to give the criminal a chance to save his hide.

But there have been marine insurance criminals of a bolder type who have not hesitated at great risks when the promise of gain was enough.

The "Plimsoll mark" on every British steamer is an evidence of the activities of criminals three quarters of a century ago. The practice of overloading had be-

come a serious matter, the temptation to put all possible cargo aboard when freights were high being sufficient to account for many of the losses that occurred. But it was said that besides this the practice of buying unseaworthy ships, loading them deep, insuring them heavily, and sending them out to be lost had grown into an abuse that called for sharp remedies. This kind of thing was nowhere more effectively attacked than in Charles Reade's novel, "Foul Play," in which a ship was scuttled a thousand miles from land to save a failing London merchant from bankruptcy.

A member of Parliament named Samuel Plimsoll made this reform his main political purpose, until laws had been passed which greatly modified the danger; and the mark that every English vessel bears on her side is his monument.

Such practices, however, are not unknown to-day. There have been plenty of rumors of foul play in the past five years — most of which were probably imaginary. Within two years a shipmaster told the writer of a chance that came to him to make a competence.

His ship (a sailer) was discharging in a European port, when a native was introduced. This man produced a map of the adjoining coast, and, pointing to a shallow sandy bay about fifty miles distant, proposed that the master and himself enter into a combination. The master was to lay his ship on the beach at the indicated spot, where she would be in no danger except in case of storm. A pair of towboats belonging to the native were to happen by opportunely and pull the ship off. Proper declarations, etc., had been prepared, showing that the ship was in great danger and would have been a total



loss save for the towboats. The benevolent and generous native offered to share the salvage (estimated at \$150,000) with the shipmaster.

One need not doubt the truth of such a story. It is highly probable; and belongs to a class of fraud that has been practised wherever merchant ships have sailed — and will probably continue as long as human avarice survives.

The most reliable and useful single marine agency in the world is Lloyds, London. Born in a coffee-house, where captains and owners were wont to congregate, and originally merely a chance gathering for which the innkeeper started an infant bureau of marine information, it developed by a natural process of evolution into a great company which will to-day underwrite any risk from the death of a king to the birth of twins (both inclusive). There is no maritime agency that can at all be classed with "Lloyds, London," whose agents cover the world; whose insurance policy is highest of all; whose certificate of class is unquestionable; and whose dictum on all matters relating to and influencing marine risks is as near being final as anything human can be. Lloyds is a great example of the triumph of high standards and principles in business practice. Had it consented to lower its standards for immediate profit or for any other cause, the organization could never occupy its present commanding position. Lloyds stands among the great English institutions of which sterling money, sterling silver, and British standards of weights and measures are all examples.

It is notable how Lloyds has maintained the quaint simplicity of the bygone age:

## LLOYDS' FORM OF POLICY

Be it known that                      as well in                      our name as  
for and in the name and names of all and every other person  
or persons to whom the same doth, may, or shall appertain,  
in part or in all doth make assurance and cause                      ~~and~~  
and them, and every of them, to be insured lost or not lost,  
at and from

Upon any kind of goods and merchandise, and also upon the  
body, tackle, apparel, ordnance, munition, artillery, boat, and  
other furniture, of and in the good ship or vessel called  
the                      whereof is master under God, for this present  
voyage                      or whosoever else shall go for master in the  
said ship, or by whatsoever other name or names the said ship,  
or the master thereof, is or shall be named or called; beginning  
the adventure upon the said goods and merchandise from the  
loading thereof aboard the said ship,

and so shall continue and endure, during her abode there, upon  
the said ship, &c. And further, until the said ship, with all  
her ordnance, tackle, apparel, &c., and goods and merchandise  
whatsoever shall be arrived at

upon the said ship, &c., until she hath moored at anchor  
twenty-four hours in good safety; and upon the goods and  
merchandise until the same be there discharged and safely  
landed. And it shall be lawful for the said ship, &c., in this  
voyage, to proceed and sail to and touch and stay at any ports  
or places whatsoever,

without prejudice to this insurance. The said ship, &c.,  
goods and merchandise, &c., for so much as concerns the as-  
sured by agreement between the assured and assurers in this  
policy, are and shall be valued at

*Sue and Labor Clause:*

Touching the adventures and perils which we the assurers are contented to bear and do take upon us in this voyage; they are of the seas, men of war, fire, enemies, pirates, rovers, thieves, jettisons, letters of mart and countermart, surprisals, takings at sea, arrests, restraints, and detainments of all kinds, princes, and people, of what nation, condition or quality soever, barratry of the master and mariners, and of all other perils, losses, and misfortunes, that have or shall come to the hurt, detriment, or damage of the said goods and merchandises, and ship, &c., or any part thereof. And in case of any loss or misfortune it shall be lawful to the assured, their factors, servants and assigns, to sue, labour, and travel for, in and about the defence, safeguards, and recovery of the said goods and merchandise, and ship, &c., or any part thereof, without prejudice to this insurance; to the charges whereof we, the assurers, will contribute each one according to the rate and quantity of his sum herein assured. And it is especially declared and agreed that no acts of the insurer or insured in recovering, saving, or preserving the property insured shall be considered as a waiver, or acceptance of abandonment. And it is agreed by us, the insurers, that this writing or policy of assurance heretofore made in Lombard Street, or in the Royal Exchange, or elsewhere in London. And so we, the assurers, are contented and do hereby promise and bind ourselves, each one for his own part, our heirs, executors, and goods of to the assured, their executors, administrators and assigns, for the true performance of the premises, confessing ourselves paid the consideration due unto us for this assurance by the assured, at and after the rate of

In Witness whereof we, the assurers, have subscribed our names and sums assured in London.

*Memorandum:*

Corn, fish, salt, fruit, flour, and seed are warranted free



from average, unless general, or the ship be stranded — sugar, tobacco, hemp, flax, hides, and skins are warranted free from average, under five pounds per cent., and all other goods, also the ship and freight, are warranted free from average, under three pounds per cent. unless general, or the ship be stranded.

On a Lloyds policy one may see the origin of the term “underwriter” concretely illustrated. The total amount insured being named in the body of the policy, the amount of risk assumed by each insurer is written below (underwritten) or endorsed upon the back, where each underwriter signs his name opposite the amount of risk which he assumes. A Lloyds policy for a large sum frequently has a long string of underwriters attached to it. This is really one of the original forms of policy, in which the responsibility of the individual is fully expressed and maintained. No policy can stand higher than Lloyds.

*General average.* We have already defined general average as a contribution levied on ship and cargo, to make good a voluntary, authoritative, necessary sacrifice which has saved imperiled property from a common danger.

It must be voluntary. Damage directly caused by stress of weather is for account of the ship or the cargo involved only, as the case may be. For instance, a mast carried away does not create a general average; but a mast cut away by orders of the officer in charge of the deck, for the purpose of easing the ship, would cause a general average.

It must be authoritative. If the sacrifice be incurred without the proper authority ordering or consenting, the loss cannot be distributed as general average.

It must be necessary. An unnecessary sacrifice can-

not be assessed as general average. But its necessity is, almost as a matter of course, to be determined by the judgment of the responsible authority on the spot.

When a ship, released from peril by action that causes a general average, reaches the port of destination or of refuge, the master at once files a protest, which is in effect a disclaimer of responsibility, in behalf of the ship, her officers, and owners. (*See Appendix A.*)

Each interest involved is then required to sign an undertaking, known as an average bond (*see Appendix B*), by which each agrees to make good any sum properly assessed against the interest named (which is detailed on the bond), and also to provide the adjusters with all relative information at their disposal. If required, any signer must also give security in addition to his bond. If the property was insured, the guaranty of the underwriter will be sufficient.

As the practices in regard to general average differ widely, it is highly desirable that provision be made for the use of a given set of rules in the adjustment. Without attempting to go into detailed reasons therefor, it would appear that as useful a clause as any, for bill of lading of charter party, is the following:

General Average shall be adjusted at New York<sup>1</sup> or port of discharge, at ship's option, according to York-Antwerp Rules (*see Appendix C*) of 1890; and as to any matter not therein provided for, according to law and usage at the port of New York.<sup>1</sup>

The principle governing the distribution of loss as general average is that freight contributes on the basis of bill of lading; the hull, upon basis of value at port of

<sup>1</sup> (or port of loading).

refuge or (if the voyage has been completed) of discharge; while the contributory value of cargo is on the basis of wholesale value at the port of discharge, *less* the cost still to be incurred in placing it there.

A general average is usually nothing less than a calamity to all interests involved. Complicated cases are months and even years in course of adjustment before settlement is reached; during which time all the insured interests are out the use of their money. Average adjusting is a profession all by itself, like mathematical astronomy or mule-driving.



## CHAPTER XXIII

### MARINE INSURANCE (*continued*)

**E** *GLISH conditions.*

Of all the insurance clauses on ocean policies, the one known as F. P. A. E. C. is most widely used. The exact meaning of the initials is: *Free of Particular Average, English Conditions*, and the English conditions referred to are expressed in the words "unless vessel be stranded, sunk, burned, or in collision."

Translated into common phrase, this simply means that (except in case of a general average) the underwriters will not pay partial loss or damage unless the ship (a) touch bottom hard enough to stop her way; (b) be submerged by water coming into her hold; (c) come into involuntary contact with another ship or floating body; (d) or have a fire on board. This is the common form of English conditions clause. Where it is used, it is not necessary that the loss or damage should be the result of the stranding, sinking, burning, or colliding. Any of these occurrences will nullify the exemption clauses for partial loss, even though the damage may not result from the stranding, etc. To illustrate: If a ship bound from New York for Europe should touch on the bar in the lower bay, and her way thereby be stopped, should get off without any apparent damage to ship or cargo, should proceed uninjured on her voyage, and later, owing to stress of weather, her seams should open and cargo thereby be damaged, the underwriters would be liable for that damage.

Conversely, if the stress of weather occurred just after passing Sandy Hook, the insurers would not be liable for the damage to cargo if the ship met no further casualty. But if, proceeding to her discharging berth on the other side, another vessel came into collision with her, even though the contact were slight, the underwriters would become, then and there, liable for the damage that took place just after leaving New York.

This seems absurd, and it is. But it is true. This is the general trend of judicial decisions under the old F. P. A. E. C. clause.

#### *American conditions.*

The notation F. P. A. A. C., or *Free of Particular Average American Conditions*, is to be translated, free of particular average "unless caused by stranding, sinking, or burning, or by collision with another vessel."

Here the insurer does not become liable for partial loss unless the damage results from the stranding, sinking, burning, or colliding. The distinction is too plain to require comment; it needs no argument to show which clause is most in favor of the insurer and which most advantageous to the assured.

As to what constitutes either one of the four casualties named above, the following seem to be as near to definition (for the purposes of this clause) as we may find:

*Sinking.* The ship must be immersed in the water. She need not be completely immersed. A water-logged ship laden (for instance) with lumber would be "sunk" within the meaning of this clause.

*Stranding.* Settling in the mud alongside berth at low tide would not constitute stranding. Under the

York-Antwerp rules (see Rule 5), loss by voluntary stranding would not be made good as general average, if the ship was doomed in any event; but voluntary stranding under any other circumstances would. For insurance purposes, a ship is stranded when she touches bottom hard enough to stop her.

*Burning.* Under the original F. P. A. E. C. clause previously quoted, the destruction of some part of the ship by fire might be required, and fire in the cargo would not permit recovery for damage thereto. Under the 1917 clause quoted hereafter this objection is fully met.

*Colliding.* Again the deficiencies of the old clause have led to revision. Originally the fact of a collision, no matter how harmless, was sufficient to cancel the F. P. A. provision, and might compel the underwriters to make good a loss for which they were not fairly liable under a common-sense interpretation of the contract. Hence the revised clause of 1917 alters the phrasing on this so as closely to approximate American conditions.

*Revised English clause of 1917.*

To avoid some of the manifest injustices to the insurer that were possible under the form of the clause quoted, various amended clauses have been suggested. The revision of 1917 of Institute Cargo Clauses (paragraph 8) gives the following F. P. A. clause:

Warranted free from particular average unless the vessel or craft be stranded, sunk, or burnt, but the assurers are to pay the insured value of any package or packages which may be totally lost in loading, transhipment, or discharge, also any loss of or damage to the interest insured which may reasonably be attributed to fire, collision, or contact of the vessel



and/craft, and/or conveyance with any external substance (ice included) other than water, or to discharge of cargo at a port of distress, also to pay landing, warehousing, forwarding, and special charges if incurred.

Whether the clause first quoted or the 1917 clause is embodied in the policy, is of course a matter of moment to both insurer and assured. The continued use of the old clause with its manifest disadvantages, as against the American clause or an equivalent, is an example of a natural conservatism which is highly influential in insurance matters. The persistence of ancient phraseology in many of the policies (notably in Lloyds policy) is another symptom of the same kind.

*Particular average.* Claims under this head are for damage or partial loss, and include a great majority of all the claims made. Particular average is a loss borne by the owners or insurers of the property on which it occurs. The distinction between this and general average, where there is a general contribution for the loss or damage, is manifest, and is well expressed in the terms by which the two are described.

In a particular average policy there is usually a clause setting forth the minimum percentage of damage that must be sustained by the shipments of merchandise insured, before a claim may properly be made under the policy. Such a clause would read about thus: "*But no partial loss or particular average shall in any case be paid, unless amounting to 5 per cent.*"

This percentage, which in English policies is generally fixed at 3 per cent., and in American at 5 per cent., is known as the *franchise*. Under the ordinary franchise clause, when the franchise percentage has been reached

the underwriter assumes the entire loss, including the franchise.

An average clause may, however, be worded so that the liability of the insurer does not in any case include the amount exempted in the franchise. In other words, when a claim arises under the policy it is paid less the franchise. This is called *deductible franchise*, and would be expressed in the policy by some such clause as this: "*Free of particular average under 5 per cent., which is deductible.*"

At first sight one is inclined to inquire why the "franchise" is exempted — why the insurers should not pay full loss, since they receive premium on the full value. But on second thought two considerations will be perceived which have had influence to this matter.

First, very few articles can be transported by sea without receiving some slight, often wholly reparable damage — abrasion, dislocation of parts, rubbing, or scratching, etc. If the underwriters were to be held liable for all of these, the mere examination of such a multitude of claims would be an intolerable burden. Consider the number of claims under hull and machinery insurance, were there no minimum limit. To keep the number of claims down to reasonable limits, it is necessary that some boundary shall be established.

Second, as to cost, underwriters would point out that in making the rate all the conditions of the policy were considered — including, of course, the franchise; that if there were no franchise the rate would be higher; especially that, in the absence of the franchise in the regular policies, the volume of petty claims would be so vastly increased that all rates would have to be advanced to

cover the increased cost of administering the business.

The possibility of reducing rates by increasing the underwriters' exemptions also offers an opportunity of reducing cif cost, by assuming more of the risk of partial loss, to any merchant who may find his account in so doing.

The interests of underwriters and assured are, in the end, the same — marine insurance being in essence a highly mutual transaction, involving much mutual confidence and trust. As insurance rates are necessarily made in the light of experience, every shipowner or shipper who puts over an unfair insurance deal sins not only against his own underwriters, but against the whole insurance world — insurers and assured alike. For the losses resulting in all such deals are, in the end, distributed in the rates and paid by policy-holders.

As to the sinner himself, if he make a practice of trying to "stick the underwriters," he will quickly find himself marked down as a bad moral risk, and his rates raised accordingly. In specially rank instances, insurance may be altogether refused. So it is a short-sighted owner who tries to put something over on his underwriters. Not only crookedness, but carelessness, bad management, and hard luck, are penalized in figuring up premium rates. An owner or shipper who is always on hand with a claim gets a bad name which is synonymous with higher rates on all his business.

For these reasons, it is hard to make a fortune by "bilking" the underwriters, unless one should play it once for big stakes and retire. Even then the retirement may involve an excess of personal seclusion and preclude the use of check patterns in apparel.

But if every one could take a broad view of their own



interests half the trouble in the world would disappear.

In the insurance of hulls the insurer protects himself in several ways. It will be remembered that hulls are often insured for a special period of time, in place of for a specific voyage, which is the uniform way of insuring cargo. So that, except they be specially covered, these items are open in regard to hull risks.

(A) *What the ship shall load.*

This is important — in many cases a vital matter to the insurer. Extra heavy cargo — such as stone or the heavy ores or even coal — is restricted in some warranties. Others exclude unslacked lime under-deck, which is inherently dangerous cargo.

(B) *Where the ship shall trade.*

Provisions limiting this are called “trading warranties.” We shall see a reflection of these in the trading limits under the time charter. The restrictions for sailing ships are quite narrow. A usual American schooner form has limits from Canso to Cayenne. Within these limits, the rate is moderate. Permission to extend to deep-sea business, however, is apt to come high.

(C) *Seasonable risks incurred.*

If a policy be for a year, it is quite likely that restrictions unnecessary at one season may be necessary at another — as the Indian Ocean from March to July, or the Caribbean and Gulf of Mexico from August to October. Also regions subject to unusual hazards of ice or fog may be excluded in certain seasons.

As we are not attempting a study of marine insurance, we have confined ourselves to the broad general features of the subject. Every man, however, will be the better for reading it up for himself; for no one is the real thing in ship management who has not a fair general knowledge of it.

But of the details of handling it may be well to speak briefly. Upon those whose business is large enough to afford an insurance department, headed by a real insurance man, it is not necessary to intrude with any advice. To others it should be said, if circumstances do not admit the regular employment of a trained insurance manager, there is nothing so good as a good broker. By regularly employing a good specimen of this fraternity, one gets what is somewhat better than the service of a highly trained clerk, free of charge. In such case the supervision of the accounting department should be sufficient to check up the broker; see that all necessary risks are covered; watch the rates of premium; and take care that any claims are properly presented and pushed.

It is a mistake to take on a mediocre or untrained man for this work, under the delusion that full time, from a green clerk, is better than part time from a broker. The insurance should never be intrusted to any one who has not had experience and training, and who has not demonstrated his diligence and responsibility. If the work be put in the hands of a man who has to be watched, there is a sad day coming when some accidentally uncovered risk is going to become a loss.

## CHAPTER XXIV

### THE BILL OF LADING

**T**HE backbone of the collateral attached to a commercial draft is the bill of lading. In the absence of other documents, the value may be there, so long as the bill of lading is delivered. In fact, save in case of actual misrepresentation, the value is there if the bill of lading is present. Invoices and subsidiary documents (such as weight certificates or certificates of quality) are of value, but not absolutely essential.

Insurance certificate is often waived in favor of an authoritative statement that goods are covered abroad under open policy by the buyer. But the bill of lading cannot be dispensed with, and its provisions and statements must be such as to make it a good security for banking advances. Otherwise the financing of transactions becomes difficult, if not impossible; unless it be done simply upon the credit of the firm drawing or accepting the draft.

Three defects in a bill of lading are especially vital in this connection :

1. Anything reflecting on the title to the goods.
2. Anything reflecting on the condition of the goods.
3. Anything rendering doubtful the responsibility for damage to the goods.

In the first case, the reputation of the owner, the



value of the ship, and the standing of the shipper are all factors. Clearly, a bill of lading endorsed and tendered by a firm of no standing, for goods shipped by a doubtful ship, owned by a party of no standing, would have some advantages over a bill of lading known to be fraudulent; but that is about all one can say for it. On the other hand, if the shipper who endorses is favorably known to the bank, a great deal will be overlooked on that account. This, however, is a consideration of credit, rather than a judgment purely on the value of collateral.

In the second case, it is for the shipper or his agent to see that the cargo is in shipping order. For torn bags, broken cases, lead-patched or leaky barrels, the ship has only one adequate protection, and that is to note the condition of the cargo on the bill of lading. Many of these defects recur with such regularity that all regular lines have stamped clauses to protect the ship against them.

In the matter touched by the third defect, the danger, of course, lies in the exemption clauses of the bill of lading. As in charters, these clauses have been extended and amplified until (if they be all literally interpreted) the value of the bill of lading as collateral is seriously impaired.

The recognition of this has no doubt been partly responsible for the well defined tendency of court decisions to protect the value of the bill of lading by insisting that there shall be no evasion of the fair responsibility of common carriers.

Theoretically, a shipper should not accept bills of lading that exempt the ship from liabilities which justly belong to her. Practically, not one in a dozen reads his bill of lading at all.

The bill of lading varies in its exact nature according to circumstances. These circumstances include:

1. Relation between the holder and the shipowner.
2. Relation between the holder and the charterer.
3. Its issuer's relation to both holder and shipowner.

*Where the ship is directly laid on berth by the owner,* the bill of lading constitutes a contract of affreightment between the shipowner and the cargo-shipper. If the bill of lading be drawn to "shipper's order," and duly endorsed, all the original rights of the shipper go with the endorsement. Here the responsibility of the ship to the shipper is full and complete, according to the lawful provisions of the contract. In such a case the shipowner accepts custody and issues the bill of lading, signing the document directly or by his agent. There is no one to come between him and his liability as a common carrier, who has accepted the obligations imposed by the bill of lading.

*Where the ship is chartered by a party who then lays her on berth.* Broadly speaking, the shipowner here remains fully responsible to the holder of the bill of lading, provided the same be signed by himself or his agent, and provided the bill of lading and charter do not conflict. In the latter case he might escape liability if the charterer and holder of the bill of lading were the same party; and if the bill of lading were stamped "*All other terms and conditions as per charter.*" Or if the holder, being an endorsee of the charterer, did know, or should have known, of the discordance of the charter party and the bill of lading, the owner should escape.

Not to follow all the possible combinations that may

modify or shift the responsibility for the bill of lading, the policy of the law is plainly to protect the holder of this document, which is the most vital of all the shipping documents on which the financing of ocean commerce depends. And in general it should be assumed that when anything is wrong about a bill of lading the law will, as far as may be possible, protect the innocent holder. Obviously, it would never do to disturb general confidence in such a corner-stone of banking security. This applies to bills of lading far more than to charter parties; and properly so, since a thousand bills of lading are used as collateral where one charter party is so employed.

Primarily the bill of lading is under all circumstances a receipt for the merchandise named in it; and further may or may not constitute in itself a contract of carriage; or may modify a contract for carriage (a charter party) previously made. We shall concern ourselves only with simple provisions where the document is both a receipt for the goods and a contract of carriage. The finer points of responsibility and exemption are for admiralty lawyers.

The first protection that the issuer of a bill of lading interposes between himself and a claim is in the words, "Received in *apparent* good order and condition." Clearly, it is impossible for the agent receiving the goods to know whether or not boxes, barrels, crates, or bundles contain merchandise in good or bad order. If there is external sign of damage, it will be noted on the dock receipt, and so transferred to the bill of lading; as, for example, "*200 bags torn and mended*"; or "*47 barrels lead-patched*"; or "*partly protected; shipper's risk.*" The existence of such reflections on cargo or



packages is, of course, objectionable; and shippers will usually offer a separate written guarantee for the sake of getting clean bills of lading.

From the shipper's point of view, this is all right; but for the issuer of the bill of lading there is nothing that protects so well as a notation on the face of that document. Such clauses, of course, supersede or modify the receipt for goods "in apparent good order."

Further, as before stated, a clean bill of lading for goods in bad order conveys a false statement of value to the purchaser of the exchange, and hence is essentially bad practice.

It is pertinent to add that, legally, a written or stamped clause is usually sustained as against a printed clause, when the two conflict.

The next exemption (intended for protection against the unknown) provides that the ship shall deliver the cargo to her named port "*or so near thereto as she may safely get.*" At first glance it would seem that the issuer should not issue a contract for freighting to any port where the ship could not safely get, and that ordinary diligence in learning the conditions at the port of destination should render this clause unnecessary. But when the contingencies of war, blockades, floods, changes of river-beds, and other unforeseeable causes are considered, that assumption is found to be untenable. Consider a bill of lading for Hamburg issued late in July, 1914, or for Galveston just before the big cyclone.

An important illustration of the value of this clause recently transpired. A ship arrived at the mouth of a large river, bound for a port forty miles inland. The river was so high and the current so swift that the vessel could not sail up, and no towboat would agree to tow

her unless released from all responsibility. The consignees refused to accept delivery of the cargo at the coast port. Obtaining a certificate from Lloyds' agent and from the British consul that it was unsafe to proceed up the river, the master, acting upon the fact that he was then as near to his port of discharge as he could safely get, hired a warehouse and discharged his cargo into it; and the consignees finally agreed to accept this as a good delivery under the bill of lading.

A diligent search of all the provisions of the bill of lading showed nothing that satisfactorily covered the exact conditions except this general clause, "*or as near thereto as she may safely get,*" which is found in almost every bill of lading form now printed.

That fact of itself would be a good reason for leaving the clause in. Wherever a clause is almost universal, one can consider that it has proved its worth, is a *tested clause*, even though its bearings may not be at once apparent.

*Harter Act.* In the bill of lading, as in the charter, there will be found the usual Harter Act clause, side by side with clauses apparently in flat contradiction of that law. And the reasons therefor are the same:

1. The Harter Act applies fully only in the case of vessels touching United States ports and hence subject to United States law, and
2. The issuer, while protesting his lawful intent in all the exemptions that he may claim, does not wish to lose any chances that the uncertainties of the law may offer in the way of escape from liability.

*York-Antwerp rules.* It is usual now to provide in

the bill of lading that general average (if any) shall be settled according to the York-Antwerp rules of 1890. In other words, in case of loss or expense incurred for the benefit of all who are interested in the ship or cargo, the apportionment of such loss or expense shall be made in accord with the special set of rules named.

These rules are peculiar in the following two provisions, wherein they differ from the American rules:

Rule 1. No jettison of deck cargo shall be made good as general average.

This is a distinct advantage to every interest except the underwriters of the deck cargo, who, in case such cargo is thrown overboard to lighten ship, must bear the whole loss. They, of course, recoup themselves by the additional rate imposed on deck risks. Under this rule, jettison of *under-deck* cargo would still be made good by general average; that is, the loss would be distributed to all interests, including both ship and cargo.

Rule XI. When a ship shall have entered or been detained in any port or place under the circumstances or for the purpose of the repairs mentioned in Rule X, the wages payable to the master, officers, and crew, together with the cost of maintenance of the same, during the extra period of detention in such port or place until the ship shall or should have been made ready to proceed upon her voyage, shall be admitted as general average. But when the ship is condemned, or does not proceed on her original voyage, the wages and maintenance of the master, officers, and crew, incurred after the date of the ship's condemnation or of the abandonment of the voyage, shall not be admitted as general average.

Where the ship runs into a general average, this clause



is to the great benefit of the owner, considering that from sixty to ninety days is not an unusual delay for a vessel in general average; while the maintenance and pay of a ship's company could easily be \$10,000 a month, and might be much more.

The remainder of the general average clause now under consideration (consisting of provisions for the cargo joining the ship in contributing to general average) is composed largely of exemptions, based on the decision of the U. S. Supreme Court in the "*Jason*" case.

General average shall be settled at New York or port of discharge at shipowner's option according to York-Antwerp Rules of 1890, and as to matter not therein provided for according to the law and usage at the port at which the general average is settled. If the owner or charterer of the vessel shall have exercised due diligence to make the vessel in all respects seaworthy and to have her properly manned, equipped, and supplied, it is hereby agreed that in case of danger, damage, or disaster resulting from accident, or from default or error in navigation or in the management of the vessel, or from any latent or other defect in the vessel, her machinery or appurtenances, or from unseaworthiness, although existing at time of shipment or at the beginning of the voyage (provided the defect or unseaworthiness was not discoverable by the exercise of due diligence), the shippers, consignees, or owner of the cargo shall, nevertheless, pay salvage, and any special charges incurred in respect of the cargo, and shall contribute with the shipowners in general average to the payment of any sacrifices, losses, or expenses of a general average nature that may be made or incurred for the common benefit or to relieve the adventure from any common peril; all the same force and effect and the same extent as if such danger, damage, or disaster had not resulted from, or been occasioned by, faults or errors in navigation, or in the man-

agement of the vessel, or any latent defect or unseaworthiness.

The "*deviation clause*" reads as follows:

The ship shall have liberty to sail with or without pilots, and, either before or after proceeding towards the port of discharge, to proceed to and stay at any ports or places whatsoever (although in a contrary direction to, or out of, or beyond, the route of the said port of discharge) once or oftener, in any order, backwards or forwards, for coaling, for loading or discharging cargo or passengers, or for any other purpose whatsoever; and all such ports, places, and sailings shall be deemed included within the intended voyage, which liberty shall not be considered as restricted by any words in this contract, whether printed, stamped, or written. The ship shall also be at liberty to tow and assist vessels in all situations, and to deviate for the purpose of saving life or property.

The sweeping nature of this clause, if interpreted literally, would permit the vessel to go anywhere at any time or for any purpose. It may be assumed that the permission was made very broad on account of the impossibility of specifying all the causes for which deviation might be permissible. But in practice the courts hold the ship down to a reasonable interpretation of these provisions; and penalizes deviations that, in the court's opinion, are not warranted by conditions. The fine legal points involved are numerous, but properly belong to admiralty law.

The exemptions permissible in Bills of Lading have been profoundly affected by the judicial decision above referred to and known as the "*Jason Case*." Brought into court on a question of General Average, the unexpected interpretation placed upon certain provisions of

the Harter Act, by the Court, has made it a leading case in Admiralty. This will be touched upon in Chapter XL.



## CHAPTER XXV

### THE BILL OF LADING (*concluded*)

**F**URTHER clauses are intended to exempt the ship from claims for loss resulting from the following general causes:

1. Natural causes, classed broadly as "acts of God."
2. Acts of government, either in war or peace.
3. Acts or omissions of the shippers themselves, for which the ship is not properly accountable.
4. Acts of other carriers to whom, either in regular course or in consequence of unforeseen emergency, the cargo might be transferred.
5. Acts of labor unions — as strikes, riots, or boycotts; and acts of lawless persons or combinations of persons.

The clauses that were formerly considered sufficient to cover these risks, when either printed or stamped on the face of the bills of lading, were about in these words:

The act of God, public enemies, robbers, pirates, thieves, vermin, barratry of masters or mariners, fire, flood, stranding, collision, and all risks and perils of the sea of whatsoever sort, excepted.

And for the cargo:

Not accountable for leakage, breakage, rust, or internal damage. Freight payable on packages full, half full, or empty. All goods to be delivered to and received from alongside, within reach of ship's tackles.

It is a question whether many of the voluminous and verbose exemptions that have been piled up and elaborately embroidered in the up-to-date bill of lading have accomplished much more than was accomplished by these simple and general exemption clauses. If one cannot specify all causes of exemption in detail (and this is obviously impossible), it may be really stronger to devise a good and comprehensive general clause, and depend upon that, than to make an unsuccessful attempt to be specific, and then fall back on generalities after all. When all is said and done these matters have always been, and are now, decided more by the spirit or purpose than by the letter of the contract.

As an illustration of what a bill of lading can really do when it sets out to talk exemption, the following is worth attention. It may be called a negligence clause *de luxe*:

The carriers are not liable for or for the consequences of the act of God, or of enemies, belligerents, pirates, robbers, or thieves from shore or from any craft or hulk or on board, whether in their service or not, restraint of princes, rulers, of people, vermin, jettison, barratry, fire on board, in hulk or craft, on shore or wheresoever or from whatever cause arising; nor from any accident, loss, or damage whatsoever arising from explosion, collision, grounding, stranding, machinery, boilers, coal or mineral dust, fuel steam and steam navigation, heat, cold, ice, frost, thaw, rain, or spray, or from perils of the sea or of land or rivers, or whatever nature or kind soever, or from drainage, leakage, rust, sweat, decay, putrefaction, damage by vermin, or any loss or damage arising from the nature of, or from change of character in, the goods; or from contact with or proximity to other goods; or from defective packing or inadequate protection; nor from splits, stains, chafes, or damage to lumber or other unprotected merchan-

dise; nor for land damage, risk of craft, hulk, or transshipment; nor for any loss or damage caused by the prolongation of the voyage, or arising from riots, strikes, lockouts, stoppage of labor, trade disputes, or labor disturbances, or from any act, neglect, or default whatsoever, of the pilot, master, officers, crew, engineers, stokers, or any agent or servant of the carriers or any person or persons in providing, despatching, and navigating the vessel, or otherwise, or from detention, delay, or deviation, however caused.

The foregoing is one of the seventeen clauses that comprise the body of a recent bill of lading. The whole seventeen would average about the length of the one quoted.

It is certain that, to the ordinary small shipper, such a mass of verbiage would only be semi-intelligible, even if he read it over, which he seldom does, knowing that in shipping by any regular line it is difficult (if not impossible) to induce it to waive or alter any clause. So that, when dealing with the regular lines, it is really a case of Hobson's choice to the average shipper. Well trained merchants, shippers of large blocks of freight, can and often do refuse the use of bills of lading which they consider unfair. But the majority take what is going, and trust to luck.

Since bills-of-lading forms differ widely, it is not necessary to examine all the clauses of any one in close detail. The general purport of the clauses in one specimen<sup>1</sup> will be sufficient for present purposes:

*Clause 1.* Exempts the carrier from liability (under the provision of Section 4,281 of the revised statutes) for precious stones or metals or highly valued goods especially subject to loss or damage unless carrier has

<sup>1</sup> See Appendix D-2.



been notified and has had the chance to properly protect himself against loss.

*Clause 2.* This is a reminder to the shipper that shipment of dangerous cargo, without special notice, on a general cargo ship, is subject to heavy legal penalties. It will be noted that, on the face of the matter, such cargo is unlawful until notice has been given to the carrier, and lawful thereafter.

*Clause 3.* Places the responsibility of failure to comply with regulations of port of discharge upon shippers, so far as they relate to the cargo.

*Clause 4.* Places extra cost of handling extra heavy lifts, etc., on the shipper, as well as exempting ship from liability for accident on such lifts.

*Clause 7.* The main provision here is for payment of freight on packages full, part full, or empty.

*Clause 10.* Protects the ship in case of obliteration or insufficiency of marks.

*Clause 11.* Prescribes procedure in case the ship shall overcarry any merchandise. This would be likely only in case of two or more ports of discharge.

*Clause 12.* Among other provisions, gives the ship the right to insure freight money at shippers' expense if payment be delayed.

*Clause 14.* Contains a very necessary provision in regard to grain, and the apportionment of damage thereto.

*Clause 15.* Is more sensible than some of the clauses which have been formulated to limit ships responsibility for cargo. Any clause intended to exempt the ship in case cargo be (for instance) dropped overboard out of the slings, after *leaving the deck*, but before being *landed on wharf or lighter*, is of more than doubtful value. The

ship is liable, from the time her tackles take hold of the cargo for loading, until they release it, in safety, after discharge.

*Clause 18.* Making prepaid freight irrecoverable may be considered a provision that will not long survive the return of peace conditions. Failing such a special covenant, prepaid freight would be recoverable in case the voyage were not completed.

*Clause 22.* Gives to the master wide discretion in substituting other ports of discharge for that named in the bill of lading. Comment on these discretionary powers is more in the legal than in the operating department; but it is probable that the discretion granted would be exercised to its full limits only at the risk of considerable trouble for the owners.

*Clause 25.* An important one, especially where it provides that

Neither the carrier nor its property shall be liable for any claim whatsoever unless written notice thereof shall be given to the carrier, with a statement of particulars, before removal of the goods or the portion thereof delivered, or in case of non-delivery of the entire consignment within ten (10) days of the final discharge of the vessel or loss or damage thereto preventing such discharge.

This is a most necessary protection to the ship. It is surprising how many claims are put in long after all chance of proper investigation has passed. The clause is frequently invoked to bar claims weeks or even months old.

*Clause 30.* This is a provision for relief to the ship in case discharging conditions prove impossible at the port of destination. The privilege accorded of proceed-

ing to the nearest available port and there discharging seems fair; since it is clearly unjust that a ship should be held up indefinitely, where a much cheaper recourse for all concerned is practicable. The provision for the collection of extra freight, however, seems hardly equitable. It would be reasonable to divide this unavoidable loss between ship and cargo; not to saddle it all upon either.

The remainder of the provisions of this bill of lading either call for no comment, or apply to conditions incident to time of war, and we may pass them.

The following clause, taken from another form, is worth quoting as an example of what can be done in the way of arbitrary and one-sided stipulation:

For the purpose of ascertaining the amount of freight to be charged, the shippers shall make a written declaration, before shipment, of the true contents and value of each package, and any failure to make such declaration, or the making of any incorrect or insufficient declaration, shall release the carriers from all responsibility, and shall entitle them to charge double freight calculated according to the true contents and/or value of the goods, such double freights being a liquidated claim, and not a penalty.

Take it all in all, one would say that there have been too many lawyers engaged on recent bills of lading. There is such a thing as having too much legal advice. A lawyer is necessarily an advocate by training; and, being called upon to make a contract form, he naturally strives to protect his client. The result is apt to be a somewhat impossibly one-sided document. This may be the reason that a prominent shipping firm in the port of New York always makes up its own forms before it calls in its lawyers.



The bill of lading supersedes and supplants the dock receipt as a bankable document. In practice the carrier makes sure of this by calling in the dock receipts when the bill of lading is handed to the shipper. Dock receipts, however, can be, and sometimes are, used as collateral.

Customarily a set consists of three negotiable bills of lading (one of which being accomplished, the others stand void). The master, the carrier's office, and the shipper all require non-negotiable copies, and, of course, as many copies can be supplied as are wanted. But the set is three, of which two are usually attached to the original draft, and the remaining one to the duplicate draft, which goes forward by a later steamer. One can see the value of this practice by recalling how many mail steamers have been lost in the last five years.

*Payment of freight.* In the absence of special provision, freight payable in advance, and not so paid, may be insured at the expense of the shipper, and a lien for the premium maintained against the cargo. This is good sense, and a claim based upon such action would no doubt be enforceable.

Since prepaid freight will not always be customary, it may be as well to say a word upon the status of the consignee and the ship when freight is payable on delivery.

In practice the usual method is for the ship's agent to issue an order for the delivery of goods as soon as freight has been paid, which in effect makes the payment and the delivery concurrent.

Unless the consignee is ready to pay the freight he cannot demand delivery of goods. Unless the owner is ready to deliver the cargo, he is not in a position to de-

mand payment. Either party may demand that delivery and payment proceed together; each partial delivery being met by payment of the proper proportion of freight, and *vice versa*. This, of course, is an unusual procedure, and would only be pursued in case of distrust existing between the consignee and the ship or her agent. But it is as well to know that the right exists.

Freight as per B/L is usually collected by the discharging broker or agent of the line or of the ship; or, in the case of prepaid freight, by the broker or agent at the port of loading. But it may, of course, be assigned for purposes of security, or for other reasons, to a mortgagee or other assignee, or by the charterer to the owner or his agent to secure payment of charter freight.

The bill-of-lading question is a difficult one, owing to the multitude of private forms whose provisions are occasionally unjust, sometimes obscure, and often unintelligible. It would almost seem, from the loose way in which bills of lading are accepted by the shipping public, as if the trade had made up its mind to depend upon the common and statute law for protection, rather than puzzle its brains over every piece of precaution that may be conceived by some legalistic mind. But every man who expects to follow this business should familiarize himself with the regular accepted clauses of standard bills of lading, in his particular trade, to at least this extent — that any unusual clause or uncommon wording will attract his attention and lead him to protect his firm against unfair stipulation.

The freedom with which so-called “agents” or alleged “lines” are permitted to project their undigested maritime fancies on the public seems almost fantastic, and is calculated to cause trouble to the inexperienced or

heedless shipper. In trades, or for commodities, where there is a satisfactory standardized form, shippers do well to stipulate for its use. Where there is not, shippers by concerted action might establish such forms, were it not that commercial jealousy so often acts as a bar to concert, even where common action would be to the advantage of all. For in this matter two points are worth bearing in mind:

The bill of lading is *prima facie* evidence of shipment, but it is not absolute evidence. In its function as a receipt it is assailable, even by parole evidence. If the master or broker, acting as agent for the owner, has signed a bill of lading for goods that have never been shipped, and if this can be proved, the owner will not be held. If the master or broker, acting as agent for the owner, shall sign two sets of bills of lading for one shipment of goods, both sets cannot be enforced. Not even the master's signature will be allowed to stand against established facts. But bills of lading issued for goods never shipped could be readily used as collateral, and this has sometimes, as a matter of fact, been done.

Concisely stated, the bill of lading regarded as a receipt is not final. It is open to dispute as to quantity, quality, and condition of the merchandise. This, of course, is to the disadvantage of the holder for value.

But, as a freight contract, the provisions of the bill of lading are not subject to attack by parole evidence. Courts may modify or soften some of them in the public interest, but that would seem to be the shipper's only protection against unjust clauses on the bill-of-lading form which he accepts, unless they be clearly in conflict with the statute law. Since the forms are generally



made up by the representatives of the shipowner, the interests of the cargo are not adequately represented. And this again is to the disadvantage of the shipper, or of the assignee of the document.

One advantage, however, the shipper has. If he can show that he delivered cargo in good condition, and received it in bad condition, it will rest upon the carrier to produce positive proof that he is not responsible for the damage. Otherwise he must pay.

## CHAPTER XXVI

### THE OFFICE: SHIPPING ACCOUNTS

**T**HE general principles of accounting are, of course, the same in all businesses. For this reason, we confine ourselves to voyage accounts, with only an outline of the routine of the accounting department.

A controlling account is carried in the general ledger for each voyage of each ship; the balance in this account must, of course, agree with the detailed statement of the voyage.

Voyage accounts may be made as detailed as desired. Pro-formas are subjoined, but they could be made to enter into fuller particulars. For example, the item of food could be subdivided to show the various items comprising the total; and a comparison of cost and quantity consumed could be made for each voyage. Wages also could be subdivided so as to show the amounts for each of three departments — deck, engine, and steward. Repairs may be made more specific as to nature and costs. These are matters that each office must decide for itself.

*Cash Book.* On the receipt side a column or columns should be provided in which to record freight collections under a caption such as, for instance, "Accounts Receivable — Freight." Collections made are entered in this column, and at the end of each month the total is credited to the general ledger account under the same head. In the event that collections have been made on

a number of ships, they may all be entered in the same column; but notation should be made opposite each item as to the ship and voyage number, and a summary made at the end of the month showing the total on each ship. Individual postings should be made to the ledger account of each ship, so that the amount outstanding may be easily ascertained.

To get the total amount of freight revenue to the proper ship account, it will be necessary to make a journal entry — for example, assuming the total freight is \$380,000, the following journal entry would be necessary:

Accounts receivable freight .....	\$380,000	
To		
S/s <i>New York</i> , Voyage 1 .....		\$380,000
Ocean freight as per copy of manifest on file.		

After posting to the ledger, the accounts receivable would stand debited with \$380,000, against which it would have credits of collections made, and the shortage would be the amount of uncollected freight due.

The ship's voyage account would be credited with a similar amount, which would finish that particular transaction as far as the voyage account is concerned.

If freight is to be prepaid, it will not be necessary to keep individual accounts of outstanding freights in the sub-ledger, as bills of lading on hand will show who has not paid.

On the disbursements side of the cash book (or voucher record, if one is used) a column should be provided for voyage account disbursements under the caption of "*Ship Accounts*"; providing space for the name of the ship, voyage number, and amount; or it may be



advisable to run each ship in a separate column. Should the former method be used, a summary should be made of each ship and voyage at the end of the month, and the amounts charged against the proper voyage account in the ledger; the ledger account showing (when all postings have been made after the end of the voyage) the net result thereof: whether a profit has been made or a loss sustained. The balance in the ledger account should agree with the amount shown in the sub-analysis record.

The accounting department should be responsible for seeing that all bills have the proper approvals as to quantity, quality, and price, and all extensions and footings will be checked up in the accounting department itself.

In addition to the cash book, it will be necessary to have a ledger and journal and subsidiary records, such as a sub-analysis record of voyage accounts, and possibly an "*Accounts Receivable*" ledger. There will be others, according to the special demands of the business.

*Sub-Analysis of Voyage Accounts.* A record subsidiary to the general ledger account should be made of each item going to make up the voyage account, and all items should be posted in this record and subdivided as may be found convenient, somewhat like the accompanying statements of voyage accounts. This record should show the subdivision of port expenses, cargo expenses, ship-operating expenses, etc., so that on completion of the voyage the cost of any particular item may be ascertained by reference to it.

*Manifest.* The copy of the manifest file in the accounts department should show all extensions for purposes of audit. The manifest being merely an abstract of the salient points of all the bills of lading, it is ob-

vious that the total amount of the manifest must agree with the total amount of the bills of lading, so that no further check in this direction is necessary.

*Bills of Lading.* Where freight is payable on delivery, the manifest is a sufficient guide for agents at port of discharge. Where freight is prepaid, bills of lading will be turned over to the accounting department for collection of freight charges, and it will be responsible therefor. It is advisable, to avoid confusion and claims, to ascertain that merchandise has actually been placed on board the ship before the bill of lading is surrendered to the shipper. It is surprising how many bills of lading go forward for unshipped stuff.

*Due Bills.* Where freight is prepaid, it will occur that the ship must accommodate the shipper with regard to bills of lading. It may be that instead of cash there are some due bills on hand, in which case they would be considered as cash for purpose of striking a balance. It sometimes happens that a shipper requests surrender of bills of lading on a due bill (which is simply a promise to pay) for freight charges, payable within a short time, usually twenty-four or forty-eight hours from date. When a shipper has not sufficient cash on hand to pay his freight charges, he may request the surrender of bills of lading on such a due bill, so that he can deliver his exchange and pay the freight out of the proceeds.

However, this is not always the reason, for some of the largest shippers ask accommodation on the plea that under their rules treasurers' checks cannot be issued without properly supported vouchers. As will readily be seen, it is entirely a matter of judgment on the part of the steamship company, as to whom they can safely trust to this extent.

*Guaranty.* In the event that the shipper cannot attach the dock receipt to the bill of lading, a written guaranty should be secured from him, binding him to indemnify the steamship company from all resultant claims.

It is a matter for the exercise of judgment whether bills of lading shall or shall not be given up on such a guaranty. Bear in mind (in this as in other matters) that a guaranty from the shipper does not estop a claim against the ship by one who holds the receipt or bill of lading for value. It merely gives the ship a recourse, after it has paid a claim against which it holds a guaranty. So it is a matter of credit judgment, after all.

Subjoined is a fairly representative account current of a war voyage made by a time-chartered steamer nearly two years ago.

#### VOYAGE ACCOUNT

of S/s *Chelmsford* (8,000 tons d.w.). Operated under time charter on voyage between New York and Havre, during the war period:

Voyage begun April 16, 1918, voyage ended June 25, 1918.

Total time consumed on voyage .....	70 days
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Less demurrage 10 D. ....	10 days
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Net time consumed on voyage .....	60 days
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#### *Outward*

Began loading April 16, 1918. Completed loading April 28, 1918.

Sailed from New York April 28, 1918.

Arrived at Havre May 18, 1918.

Began discharging May 19, 1918 — completed discharging June 3, 1918.



*Inward*

No inward cargo.

*Remarks*

Ten days' demurrage incurred owing to delay in loading and discharging cargo.

	EXPENSES		
	<i>New York</i>	<i>Havre</i>	<i>Total</i>
<i>Charter Hire</i> .....	\$160,500.00	\$	\$160,500.00
<i>Insurance</i>			
War risk .....	61,000.00		
Insurance of pre-			
mium .....	2,500.00		
Club (P. and I.) ....	300.00		
Liability .....	300.00		64,100.00
	<hr/>		
<i>Port Expenses</i> .....	3,600.00	2,000.00	5,600.00
	<hr/>		
<i>Cargo Expenses</i>			
Stevedoring .....	8,800.00	13,900.00	
Cargo clerks .....	1,400.00	390.00	
Lighter hire and tow-			
age .....	2,800.00		
Sundries .....	700.00	1,010.00	
	<hr/>		
	13,700.00	15,300.00	29,000.00
<i>Freight Brokerage</i> ....	9,500.00		9,500.00
	<hr/>		
<i>Supplies</i>			
Fuel (Coal) .....	5,180.00	25,000.00	
Water .....	110.00	100.00	
Rope .....	510.00		
	<hr/>		
	5,800.00	25,100.00	30,900.00
<i>Bonus to ship's officers</i>	2,800.00		2,800.00
	<hr/>		
<i>Total Expenses</i> .....			\$302,400.00

## EARNINGS

*Outward Freight Revenue*

General cargo .. 4,900 tons at \$180.00	\$882,000.00
Govt. cargo ..... 2,100 tons at 21.00	44,100.00
Total outward	<hr/>
freight revenue 7,000 tons at \$132.30 (Average)	\$926,100.00

*Inward Freight Revenue*

None.

*Other Revenue*

Demurrage, 10 days at \$2,500.00 per day ....	\$ 25,000.00
Hoisting charges .....	1,200.00

Total earnings .....	\$952,300.00
Less expenses as shown above .....	302,400.00

Net earnings for voyage .....	\$649,900.00
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No attempt has been made here to charge overhead expenses against the voyage. As a matter of fact, the overhead incurred was often out of all proportion to the service in war days, as many operating companies with two or three ships only, employed a staff sufficient to operate a much larger fleet. If their fleets had been doubled or tripled the increase in overhead would have been negligible.

For purposes of comparison, assume that the above steamer is laid on the berth by her owners on a voyage from New York to Havre, and earning freight at the rate of, say, \$28 a ton for general cargo, and allowing 60 days for the round trip; that is, 36 days steaming and 24 days in port, loading and discharging cargo.

## ESTIMATE

## EXPENSES

*Ship Operating Expenses*

Wages of officers and crew (42 men) .....	\$10,000.00	
Food supplies .....	2,520.00	
Fuel, New York to Havre .....	4,000.00	
Fuel, Havre to New York .....	12,000.00	
Fuel in port .....	1,000.00	
Water .....	200.00	
Miscellaneous supplies .....	1,000.00	
Repairs, maintenance, etc. ....	10,000.00	
Insurance .....	12,000.00	
Depreciation at 10 per cent. per annum on valuation of \$180 per d.w. ton (60 days) .....	24,000.00	\$ 76,720.00

*Cargo Expenses*

New York (as per previous statement) .....	13,700.00	
France (as per previous statement) .....	15,300.00	29,000.00

*Port Expenses*

New York .....	3,600.00	
France .....	2,000.00	5,600.00

<i>Freight Brokerage</i> .....	2,975.00
<i>Expenses of Master</i> .....	200.00

<i>Total Expenses</i> .....	\$114,495.00
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## EARNINGS

Outward freight revenue — general cargo 7,000 tons at \$28.00 .....	\$196,000.00
Inward freight revenue — none.	
Hoisting charges .....	1,200.00
<i>Total Earnings</i> .....	\$197,200.00
Less expenses as shown above: .....	114,495.00
<i>Net Earnings for Voyage</i> .....	\$ 82,705.00

On comparing the foregoing statements, we find a difference in net revenue of more than half a million dollars in favor of the first voyage, which is, of course, due to the high freight rates during the war period. A comparison of the expense statements shows some differences. For instance, in the first voyage account we have:

Charter hire amounting to.....	\$160,500.00
Less amount collected for demurrage.....	25,000.00
Making the net charter hire for the voyage.....	\$135,500.00

There is no such charge on our second statement, for the reason that the vessel was operated by her owners; but in place of charter hire various other charges, which do not appear on the first statement, viz.:

Wages of officers and crew.....	\$10,000.00
Subsistence .....	2,520.00
Maintenance .....	10,000.00
Miscellaneous supplies .....	1,000.00
Insurance .....	10,000.00
Depreciation .....	24,000.00
	\$57,520.00

Or an expense on the chartered steamer of. . \$135,500.00

Against an expense on the owned steamer of    57,520.00

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Difference in favor of the owned steamer of. . \$ 77,980.00  
for a 60-day voyage.

Then, we have a difference in the amount of insurance.

The first voyage shows a total of . . . . . \$64,100.00

As against a total for the second voyage of. . . 12,000.00

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A difference in favor of the second voyage of. . \$52,100.00  
which is due to the high rate of war risk insurance on  
the first voyage during the war period, a considerable  
portion of which was assumed by the charterers.

Port expenses would amount to about the same on  
both voyages, and consist of such items as custom-house  
fees, towage, pilotage, wharfage, tonnage dues, etc.

Cargo expenses are assumed to be about equal on both  
voyages, and the items as listed speak for themselves.

*Freight Brokerage.* The difference in amounts here  
is, of course, due to difference in gross freight collec-  
tions, and also to the fact that on the first voyage broker-  
age was paid on only a portion of the freight, while on  
the second voyage it has been assumed that brokerage  
would be paid on the total freight. The usual rate of  
1¼ per cent. applies in both cases.

*Fuel.* There is a difference here of \$13,000 in favor  
of the second voyage, due to the very high cost of coal  
in France during the war.

*Bonus to Ship's Officers.* This is, in fact, a gratuity  
paid to the ship's officers (chiefly to the master) by the  
charterers to keep them in a good humor, so that they

will give due attention to the quick despatch of the ship. This bonus is entirely apart from wages and war bonuses paid by owners. This item does not appear on the second voyage.

Of course, in every year there would be some time when the ship would not earn charter hire, owing to lay up for necessary repairs or other causes; but, even allowing for that, there is an excellent profit to owners in present rates. But when time charter rates get below \$2 again (if ever) there will be another tale to tell.

The preceding schedules, with the comments thereon, are a sufficient indication of the methods in use. Regular shipowners have a standard blank on which the items of expense and revenue are summarized for each ship, with a column for the figures of each voyage. Thus the results of two or more voyages can be compared at a glance, and the items responsible for gain or loss detected. An account current for each voyage is also desirable and usual, though not absolutely necessary.



## CHAPTER XXVII

### THE KEEPING OF RECORDS

**F**ORTY years ago, before the use of the stenographer had become general, and while the typewriter was in the experimental stage, the methods of record-keeping were primitive.

Outgoing letters were copied in "letter books" in chronological order; and incoming documents were neatly folded, indorsed with a brief of contents, and kept in bundles, alphabetically. A few employed the self-indexed file-cases such as are still used to some extent. These methods, with some adaptations, served the ordinary needs of most offices well enough; and if it sometimes took several hours to find a necessary document — why, the age was (comparatively) leisurely, and there was plenty of time to damn the office-boy.

Nowadays the record systems are numerous, and many are highly scientific. There is no business to which the availability of its records is more important than shipping, for perfectly obvious reasons. As, in the course of a few years, office personnel undergoes the many important changes to which all humanity is subject, any dependence upon persons should be eliminated, as far as records are concerned.

If the business be sufficiently large, it will pay to have a system installed by a professional — always, however, under the advice and direction of an office man who is fully familiar with the details of the particular office concerned.

Or if the proper man has the time, it will pay him to attend to the installation himself, and to train a competent record clerk to take the whole thing over when it has been adjusted.

But, by whomsoever chosen or installed, two things are essential :

(a) A workable system.

(b) A competent record clerk.

Every day and all day the shipping business leans on its records of past experience to guide its judgment and action in the immediate present. The weight, measurement, and packing of cargo; the capacities, speed, and record of ships; the availability, safety, and facilities of ports; the records of voyages; the reports of agents on masters, expenses, out-turns, and claims — all these and other matters by the dozen, can be of value only if readily producible on call.

More than that, documents that are certain to be required on the instant when they are wanted are sprinkled all through the records of a shipping office.

There are two capital mistakes that may be and often are made in the choice of a filing system.

The first is to go so far in avoiding complexity as to fail in reaching even a moderate measure of efficiency. This is quite common, especially in smaller offices, and is a very thoughtless way of handling the matter. A system that makes papers producible only after long search is better than no system at all; and that is about all that can be said for it. Time must be given to the matter at one end or the other. If time and care are not used in putting documents away, much time, temper, and possibly bad language will be spent in looking for

them when they are urgently required. Further, the inability to produce an important paper when and where it is required may easily be the cause of serious loss.

The second error is to go to the other extreme and make a system so elaborate as to be unworkable. This is the failing of the theoretical mind, and is apt to result in three disadvantages:

- (a) The filing takes too long a time.
- (b) The system is too complex to be easily learned.
- (c) It takes labor that is too high priced, and too much of it.

As a consequence, unless the file clerk is a paragon, the filing is at loose ends most of the time; and the ultimate result of this error is apt to be not far from that of its opposite extreme.

The purposes of record-keeping are best subserved by simplicity of system, accompanied by the most conscientious performance of detail. A good motto for any record system would be: "Put 'em there — keep 'em there — find 'em there." That is all there is to it, except the answer as to "How?"

There are only two places in an office where a paper can properly be:

- 1 On the desk of some one who is using it actively.
- 2 In that part of the file where it belongs.

And of course the same paper cannot be in both places at once.

It is the universal experience that negligence on the part of those who withdraw papers for use produces almost as much file trouble as all other causes combined.



A man has one paper on his desk, and keeps it there until he has finished the work for which it is necessary. The same is true of many other papers — perhaps dozens, perhaps hundreds. After a while these papers, which are kept out for one or another man's convenience, not only become a serious inconvenience to the rest of the office (by continued absence from file), but they bury each other, and thus defeat the purpose of the man who keeps them out. Nobody can find them readily, not even the man who has them.

Go into some office and see the president, or the manager (or some other man) pawing over his mass of papers in the endeavor to find something essential to the conversation. Two or three or more people are kept wasting their time while such a hunt goes on. In spite of all the modern methods of keeping papers, this is an every-day experience in many offices.

Now, there is an easy way of correcting this — that is, to put all papers back every night; keep memoranda of those wanted again, and have them pulled out as required. Theoretically, this is a perfect system. Practically, it will not work at all, except with a few men who have a sense of order like an adding-machine. The average man wants the actual physical presence of the papers themselves to jog his memory.

This difficulty can be fairly well met (at least, for department heads) by the use of a duplicate working file and a special colored duplicating paper.

For instance, assume that the lightering clerk is keeping track of eight or ten ships, and much of the correspondence needs following up.

If, then, blue be adopted as the "working file" color, every letter written will have a "blue" copy, which will

be retained by the dictator until he is through with it, and then destroyed. For matters that require no further attention (finished business), he will destroy his blue copy when he signs the letter. For others he will keep them in his working file until he has cleaned them up, and then destroy them.

The point is that "blue" copies are always to be eventually destroyed — never to be filed.

By judiciously including, in his answers to letters, distinct reference (in each case) to the exact matter in hand, the duplicates of outgoing letters will serve as ample reminders, and the incoming correspondence can be safely relegated to the files, as soon as the replies have gone.

The blue copies, as long as they are needed, can be kept in a "folder" labeled (let us say): "Crimson Sunset Line, Lighterage, Working file."

The correspondence will be divided into bunches under captions called "headers" and will read somewhat thus:

1. S. S. *Helen Angier*, Lighterage, Nov., 1919.
  2. S. S. *Westwood*, Lighterage, Dec., 1919;
- and so on — one header for each steamer.

For the other desks similar working files may be subdivided to suit the department and the general method of the business.

The effect of the working file device is this: it enables the party in charge of a particular matter constantly to use papers that properly belong in the file, without depriving the rest of the office of their use, and without being bothered by constantly pulling them back and forth. The distinctive color marks them for destruction

when obsolete, without burdening the file clerk with the need of carefully checking them over.

We go carefully into the subject of giving the active worker the use of his copies, without delaying the completion of the files; since the treatment of this very matter constitutes one of the main problems to be solved. One thing is certain: a man cannot follow up his work without his papers, and papers kept out by one desk are almost unavailable for others.

As to documents that originate outside the office, a combination of two methods should serve. Answers, or letters dictated in reference to them, should contain clear references to the documents, so that the working file copies will instantly suggest them. As to documents for which this is insufficient (they will be only a small percentage), extra working copies should be made and kept in the working file. That file is, of course, retained in the desk of the person who is handling the work.

*Reading File.* This is a device to supply the place formerly occupied by the letter book, etc., into which all outgoing documents were copied by a copying-press day by day.

It is desirable always to have a chronological record of the office correspondence, and a set of copies taken for this special file affords a convenient method of placing before the heads of the business a daily record of what is going on. When the proper authorities have passed upon them they should be bound in a proper container, preferably a book-form binder. Whether or not this file shall be indexed is largely dependent upon the efficiency with which the main records are indexed. Certainly one or the other should be completely indexed.



If a complete card reference system is maintained the reading file should not be included in it. But if a very primitive index (say alphabetical) is all that can be attempted, it will be most easily applied to the reading file.

The working file and the reading file are both for special convenience and to protect the records from the inadequacy that must surely result if the filing of documents is delayed until every one has finished with them; or if the file copies are being constantly used as working copies. They have become possible only with the nearly universal use of the typewriter with its multigraphing powers.

Of ordinary correspondence, the working copy, reading copy, and record copy are all that will be required, besides the original, which goes to the mailing desk to be recorded under its mailing date and sent to the post. To distinguish the working copy, blue paper may be used; with buff, yellow, or gray for the reading file; and for the record, white sheets marked "file copy" are best. A glance at the color of any copy then shows where it belongs.

For the file record, after the physical form has been decided on, the most important items are the methods for assembly and classifying. Steel drawer cabinets with ball-bearing rollers are no doubt best for any considerable mass of documents, and one tier should have upper drawers suitable for index cards.

*Assembly of Papers.* The choice of groups under which papers shall be assembled in the folders will differ in every business. Lawyers will assemble by cases; doctors by patients; real estate by lots or buildings; and so on. In all these methods there will have to be supplementary folders to take up the slack. For ship-

operating business the natural assembly is by ships, subdivided by voyages; each folder to contain a header for each main subject — the header cardboard backed; and each bunch clipped together with removable clips.

For instance, if a folder is for the steamship *Monadnock*, Voyage 1, New York to San Sebastian, the headers contained within it may cover the following subjects:

*Header A. Charter and charterers*

*Header B. Officers and crew*

*Header C. Agents at discharge port*

*Header D. Miscellaneous*

(A miscellaneous header will be required for each folder, to take up the scattering papers that will occur in any classification.)

These headers (or labels on the subdivisions of the folder) facilitate handling, since one does not have to turn over the entire folder at every reference. Papers in each header are arranged in reverse order of dates, oldest papers at bottom, newest on top.

Headers will, of course, have to be adapted to each folder according to circumstances. If the ship goes in collision outside, there will be a header "Collision off Sandy Hook" (or wherever else it may have occurred), for one can be certain of a lot of papers before such a matter can be settled.

If ship were not chartered, but laid on berth, there would be no header for "Charter and Charterers"; but there would be one for "Cargo-Shippers," one for "Contracts," another for "Dock Reports," and perhaps another for "Stevedores." It is impossible to prescribe these details until the business is in front of one. But this principle conscientiously applied is very workable.

In addition to ship folders, there will be certain other subjects that require to be kept together. "Port Information" should have one or more folders for papers that are important, but refer to no one ship in particular. The same is true of "Agencies" and "Ships for Charter," which will be more or less elaborate and sub-classified, according as the office does or does not specialize along one or another of the lines indicated. The system must be kept elastic, adaptable, and suited to changing needs. The thing to be sought is ready reference; and any reasonable means (not in itself disorganizing) should be employed to this end.

The classification being arranged, it is necessary to decide how far the matters of index, cross-index, and cross-reference shall be carried. One may be satisfied with a simple alphabetical index of the reading file, which will be very easy to make, and very hard to use to any efficient end; or an index can be so expanded and elaborated as to make its maintenance a business in itself.

Somewhere between these two is a golden mean, and its exact position varies in every office.

Broadly, the matters which identify in our minds the papers that we wish to find are three. We want to find a person (such as a firm or company); a place (such as a port or an agency); or a thing (such as a species of cargo, or a claim for shortage). The arrangement should be such that if a matter is indexed under one of these three, it may be cross-indexed to another and/or cross-referred to another. For instance, if you have had some trouble with caustic soda per *Monadnock*, Richard Roe & Co., shippers, you are all right if you



remember the name of the ship. But if you know only the name of the article, you have got to have a card "Caustic Soda," which will refer you to the proper folder *number* and header *letter* of the *Monadnock*, as well as to any other papers that specially refer to caustic soda. If you remember only that the dispute was with Roe, you have a long hunt unless there is a personal index on which will be recorded that there are letters from Roe in the folder. For the personal (or firm) index one reference to folder and header of each should be sufficient, without indexing each paper separately; and, in case of documents touching on two or more ships or subjects, such can be placed in one folder, a transfer slip placed in each of the other folders, and then the document and each transfer slip indexed as if separate documents were in each.

As to who is to decide exactly how a document shall be indexed and treated, that is a hard question. If one can find and afford to pay a competent clerk for this purpose only — that is, if the job warrants it — that will be best. Otherwise the department head, when reading or answering the letters, etc., should indicate, by simple marks, the points, if any, for reference or cross-indexing. This is a burden on him, however, and apt to be slighted in time of pressure.

The competent clerk is, therefore, much to be preferred. But it is hopeless to put a twelve-dollar-a-week boy on a difficult job of this kind; for the ability to pick the meat out of a letter and identify it by a word or two is rare, and developed only by training. It is far better to pay thirty-five dollars a week for having your papers found than fifteen dollars a week for having them lost.

And do not forget that the records of any shipping business are a most important asset if they can be used, and nothing but waste paper if they cannot.

Whether the traffic and marine departments shall have separate file systems, or only separate indices, is another question. The best practice seems to be to separate the accounting, traffic, and marine departments in assembling as well as in indexing. But a lot of petty individual files will demoralize the best filing system in the world.

It will be noted that, in this subject, most matters are touched on only in a general way; while in some particulars we have gone very much into detail. The reason should be obvious — the general features of the system must be adapted to the special business; but, once that adaptation is made, the whole matter comes down to one of detail, and succeeds or fails according as those details are or are not attended to. In a filing system the details are of the essence of the problem. Close adherence to a prescribed general plan, with strict attention to detail, are necessary in any well kept system of records. But the plan itself must have some elasticity.

On the whole, intelligent women make the best file clerks, because, as a rule, they are more patient of routine than men; and a well kept file takes infinite patience. But even the best clerk cannot keep records in order without a generous measure of coöperation from the office, especially from department heads and company officers. Any file clerk will tell you that of so-called lost papers (concerning which most offices have a more or less constant hullabaloo) a very large proportion is eventually found on the desks or in the trays of

the heads — and often of the particular head who is making the most fuss.

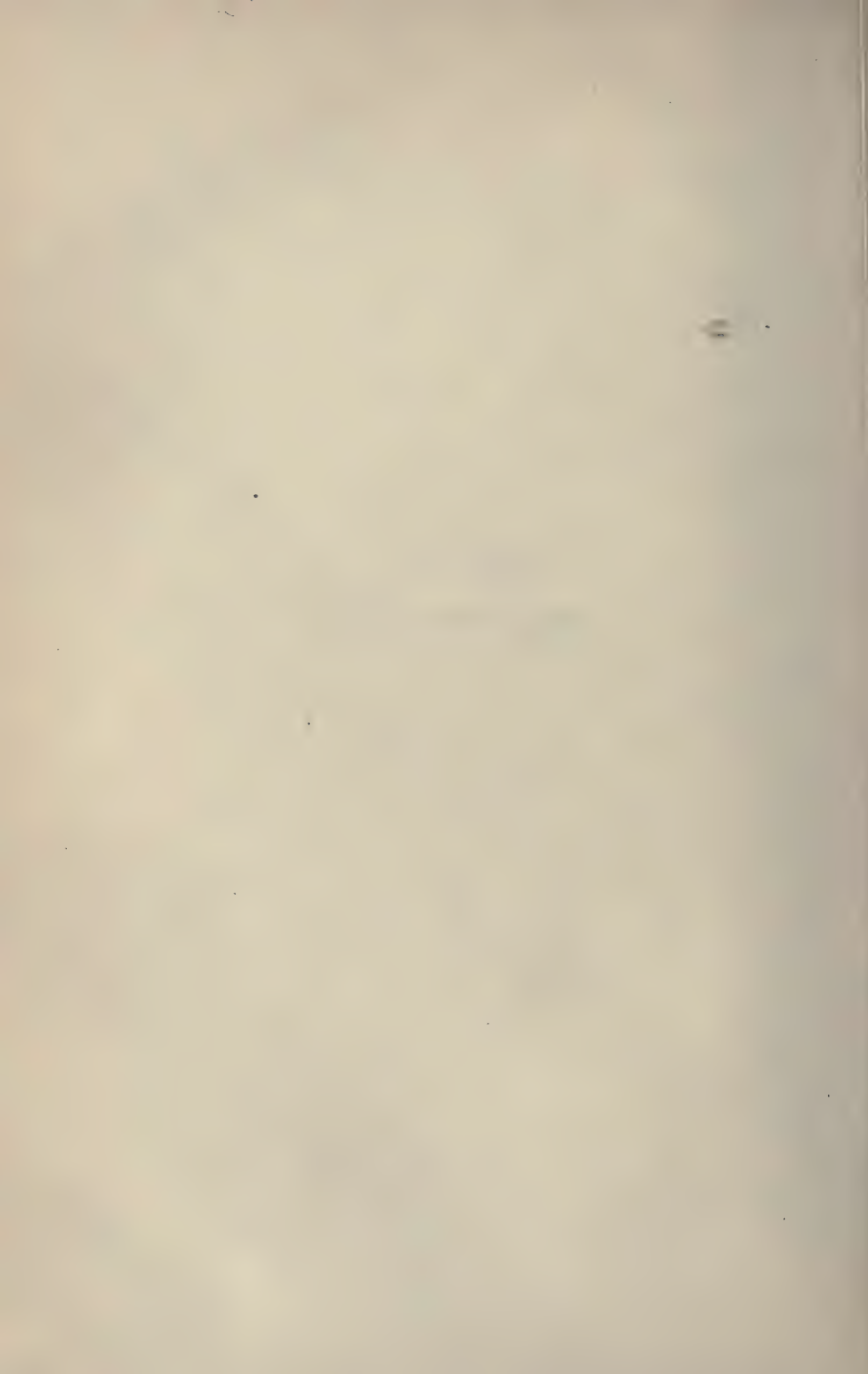
A rule making every one give a receipt to the file for papers removed is apt to become more or less of a dead letter. The reason for this is not far to seek. The head is not subject to call-downs from those below him; and hence, under his heavier responsibilities, his sense of duty in this matter often goes to sleep. But the clerk, who is in danger of being reprimanded or dismissed at any moment, is more careful. The experience of most offices is that the employer loses as many papers as any three clerks, and does as much as six to keep the records demoralized.

One thing must be borne in mind. There is no such thing as an effective record system that will run itself. No file will give up papers that are not properly placed in it; no index will yield information that is not properly placed on it. A common objection heard against all good filing systems is that "they take too much time." No doubt any good system will take time to keep it in order; but bad system, or no system at all, will waste much more, and much more valuable, time than any good system will require. To economize by neglecting this matter is a flagrant case of saving at the spigot and wasting at the bung.





PART III  
THE CONTRACT





## CHAPTER XXVIII

### NEGOTIATING A CHARTER

**T**HE negotiation of a charter often involves the use of firm offers and acceptances, the method by which most of the bulk chartering is done in normal times. We have seen that an offer, to be a really "firm" one, must be specific in its terms, limited in its duration, and binding upon its maker until expiry. The trend of judicial decision on this point is to this effect: that a firm offer may be withdrawn by its maker at any time, unless there be a consideration given by the other side. This position is apparently based upon the principle that otherwise the firm offer would constitute a unilateral or one-sided contract, which would bind one side but not the other. Both English and American decisions are fairly unanimous that a firm offer which has not been withdrawn, and which has been accepted on its own terms, is fully binding. But this merely means that, when an offer has been made and accepted, a contract has been concluded, which (if it can be proved) is, of course, binding upon both parties. On the other hand, the decisions are equally unanimous that an offer may be withdrawn, at any time before acceptance, if consideration cannot be proved. This is a most vital matter in the handling of charter business.

It can be seen at a glance that if A makes a firm offer to B, and B cables it to C, B will stand in a very embarrassing position if A should be allowed to withdraw

just before C's cable acceptance comes in. Yet there are many decisions that would seem to make such a situation quite possible.

Of course, all depends on A's right to withdraw. If B has not given any consideration for the offer there is no doubt whatever that A has the right to withdraw at any time. This is shown in many instances, and (in spite of the fact that we are avoiding legalistic discussion as far as possible) it is worth while to glance at three of them.

In the case quoted below, the right of the party making the offer, to cancel it during its currency is clearly affirmed:

*B. & M. Railroad vs. Bartlett.* This is a case decided in the Massachusetts Supreme Court in 1849. On a written offer to sell land on specific terms, good for a limited time, and accepted by plaintiff within that time, defendant refused to deliver title, and was sued for breach of contract.

The court, in holding that the offer and acceptance constituted a valid contract, used the following language:

In the present case, though the writing signed by defendant was but an offer (and an offer which might be revoked), yet, while it remained in force and unrevoked, it was a continuing offer during the time limited for acceptance; but as soon as it was accepted, it ceased to be an offer merely, and ripened into a contract. The counsel for the defendant is most surely in the right in saying that the writing, when made, was without consideration, and did not therefore form a contract. It was then but an offer to contract, and the parties making the offer, most undoubtedly, *might have withdrawn it at any time before acceptance.* But when the offer was accepted, the

acceptance by the plaintiff constituted a sufficient legal consideration.

In *Dickinson vs. Dodds* (an English case) it is held that in case of a firm offer where, during the currency of the offer, it came to the knowledge of the plaintiff that the defendant seller had altered his mind, the offer ceased to be binding when plaintiff learned that the defendant was offering to sell the property elsewhere; such knowledge having the same legal effect as if the defendant had sent written notice that his offer to sell was withdrawn.

And in *Byrne & Co. vs. Van Tienhoven & Co.* the right to withdraw a firm offer is sustained by the court, but it is held that the mailing of a withdrawal did not constitute a legal cancelation of the offer, since the plaintiffs did not receive it until nine days after they had accepted by cable, and several days after they had resold the goods.

The essence of these and other decisions is that there is no contract without consideration, and that until acceptance (which is in itself a consideration) any offer may, therefore, be withdrawn unless consideration can be shown.

It is clear, therefore, that if A offers a ship to B, good forty-eight hours, and B simply holds it without action (let us say for a speculative purpose), A may withdraw at any time by giving notice to B that he cancels his offer, and B will have no remedy. He has given no consideration.

But if B acts upon A's offer and, in consequence of it, effects a contract with C, A having in the interim canceled his offer, it is difficult to believe that B's action on A's offer would not be adjudged an adequate consideration. For B has, in return for A's offer, performed a service and assumed a risk. This would seem to be the only reasonable view — lay or legal. Possibly decisions



to this effect may exist. It is scarcely conceivable that so very probable a situation should have escaped a legal test.

In any event, the inference to be drawn is obviously this: one should be sure that a firm offer will hold, before he commits himself as to either ship or cargo on the strength of it. This is worth bearing in mind in a vocation where the great preponderance of the business is based, directly or indirectly, on the good faith and responsibility behind firm offers.

Experiences with some of the commercial loose fish thrown up by the war will be apt to convince a reasonable mind that it is not the offer, but the man behind it, that counts.

This merely tends to emphasize the importance of what is known as the "moral risk." For the simple honesty that can swear to its own hurt and change not, whose word is as good as its bond, there are only ineffective makeshift substitutes and no equivalents at all. The shipping business has fortunately had, and now has, many and notable, and (what is more important), hosts of small and unknown firms whose word is good for the last cent they possess. Otherwise it could not be conducted along existing lines. One should not allow his viewpoint to be jaundiced by individual lapses from honesty, which, after all, are not representative.

But if one would be able to carry out his agreements he must assuredly know in advance to what obligations they commit him. It would seem superfluous to warn any one not to accede to a contract of whose terms he is ignorant; but that is what has been repeatedly done, and often with disastrous results during the war period. It has been done mainly by inexperienced brokers repre-

senting inexperienced owners, accepting charter provisions (often whole charter forms) with no adequate knowledge of what such acceptance involved.

Hence, when concluding a charter, one must know every obligation expressed or implied in the text, or trouble will be apt to ensue. This will require study and thought, but they will pay.

One should never permit a high freight rate to befuddle his judgment as to charter terms. A relatively high rate of freight, like a high rate of interest, has a reason; and one had much better know what that reason is before being bound than after. Two major points should be firmly borne in mind before signing a charter:

*First.* Considering even the official forms, almost any charter will, from the particular circumstances or needs of the transaction, call for correction or erasure of the printed form. Therefore, in starting to fill out the form for signature, or in scanning it before signature, no provision or clause should receive any different treatment, merely because it is printed, than if it were written in lead pencil. Every clause, written, printed, or stamped, should receive consideration, uninfluenced by any preconception in its favor from any cause whatsoever. In so far as its purposes are concerned, either they have been covered in the preliminary negotiation, or they have not. If they have been covered, the question should be asked, "Do they correctly express the verbal agreements which have preceded the submission of the written contract?" For instance, a verbal agreement to charter on the Welsh coal form would involve the acceptance of the Welsh demurrage scale, unless specific amendment had been stipulated. The charterer would be at least morally estopped from raising objec-

tion to that scale, if he had accepted the ship on the regular Welsh form. But the raising of unexpected, last-moment objections is so common as to be responsible for the axiom that no charter is ever closed until it is signed and witnessed. In the absence of stipulation, a verbal agreement to accept a recognized form would involve the acceptance of all the regular clauses in that charter. But every clause should be carefully gone over, to be sure that it does not contradict or modify injuriously the purposes of any special agreements reached in previous negotiations.

If, however, the signer is not bound to the purpose of a printed clause, either explicitly by direct stipulation, or indirectly by his acceptance of an established form, or by the existence of recognized trade practice or port custom, he is not only entitled, but he is bound in duty to the interests which he represents, to search for the possible effect of every word in the contract, printed or otherwise. This, of course, does not mean that he can escape from his bargain by objections palpably absurd — such as refusing to give warranty of seaworthiness, if an owner; or insisting upon the erasure of the ice clause, if a charterer. The point to be driven home is that in signing a charter nothing must be taken for granted simply because it is printed. In fact, nothing should be taken for granted at all.

*Second.* In signing a charter party alleged to be an official or recognized form, make sure there are no unostentatious variations from the regular form. If you are familiar with the official form, scan the charter submitted carefully for differences. If you are not familiar with it, get an undoubted copy and compare it carefully with what you are asked to sign. It is so easy to slip



something over on one who reads his charter party carelessly or ignorantly.

As far as concerns any clauses whose purport has not been covered in the verbal negotiation, and which are not required by trade practice or port custom, it needs no argument to prove that each signer should know exactly the reason for their presence in the contract: in what respect they bind or in what contingencies they release from obligation, either the owner or the charterer. The most extended scrutiny will not disclose all the hidden possibilities of any charter—hence the scrutiny that time permits before affixing the signature cannot be too intensive and careful.

Which suggests another thought. Never, if it can be avoided, interrupt a man, or permit yourself to be interrupted, when final consideration is being given to a charter. If you are an employer you won't let yourself be disturbed; and if you know your own interest you will not unnecessarily disturb a subordinate at such a time. If you are a subordinate, there are plenty of practical ways of giving your superiors a hint on such a topic, especially if interruption is merely the result of thoughtlessness. If a human interrogation-point (of which most large offices have a few) insists on buzzing around, treat him kindly but firmly. The interests involved are so great, and the possible effects of the various component clauses may be so far-reaching, as to be worthy of searching analysis by any man, no matter how able or experienced. And such analysis can result only from concentrated and attentive examination.

The negotiation of a charter is often a protracted and worrisome business, and about as many fail of signature at the last moment as go through.

In specific trades, where what are known as "understood conditions" govern, the chances are considerably better than in the ordinary class of miscellaneous business. For instance, in the "berth term" form of grain charter of the New York Exchange, or the old "Cork for order" form (which has now almost gone out of use), the terms and conditions were so familiar to the trade that comparatively few misunderstandings could arise; and a verbal agreement was more difficult to evade at the last moment than in trades where the details were less intimately known. But, even in such trades, there is a chance of one party or the other backing out at the last moment.

There is one mystery about charters that nearly every one has noticed, but which no one has ever explained: They nearly all come up for final consideration about five minutes before closing time, on Saturday, or on the evening before a general holiday which one has been planning to spend out of town. If it is a family party that one has arranged, it will often be necessary to close a charter about noon on the holiday itself, to the great displeasure of the family. Of course, in such a case one must prove that it was n't done on purpose; the method whereof is a matter for individual judgment or taste, according to the temperaments directly involved in the problem. The wife of any old shipping man will agree that a most interesting book might be written on the effects of foreign trade on domestic relations.

In the negotiation of charters the broker finds his greatest usefulness as well as his greatest profit. A broker of proved ability and integrity acquires a clientèle that makes him well worth cultivating. For effecting a charter the brokerage used to be  $\frac{1}{3}$  of 5 per cent.

and is now generally  $\frac{1}{4}$  of 5 per cent. At existing rates, of course the lower percentage produces a far larger result than the higher one did at former freights.

One point the shipowner or agent may properly insist upon — that the broker be assumed to represent a charterer and not another broker. It is an unwritten rule that the first broker that brings a firm offer or bid has the call on that particular combination at even prices. This is fair. But if another broker comes along with a better firm offer on the same proposition, the owner (or shipper) is at perfect liberty to accept the second. This also is fair.

But the war-time *franc tireur* has distorted this customary usage by some such interpretation as this: that as soon as he has named a trade to shipowner or merchant, neither may trade with the other except through his intervention; that whenever the trade is consummated he is entitled to a commission, even though he never really represented either a shipper or an owner, but only a string of hungry brokers like himself — perhaps two, perhaps eight, all of whom want  $\frac{1}{6}$  of 5 per cent. (or whatever they think they can get).

Generally speaking, a broker should be assumed to represent a real client, owner or charterer, unless he states the contrary at the outset. If then the owner objects to the commissions demanded, he can fully preserve his freedom of action by declining to go further. If the brokerage has to be divided, the brokers may arrange that between themselves.

Our English cousins are great on hanging a string of commissions to every transaction, like a tail to a kite. Sometimes it would almost pay the owner to keep the commissions and let the brokers keep the freight.



## CHAPTER XXIX

### CHARTERS: FOUR MAIN FORMS

**T**HE study of this business as a whole should include some knowledge of its basic problems. These again are most concisely stated in the various forms of charter party, which not only contain the hiring agreement, but (in the distribution and location of the various hazards and obligations involved) comprise a rough sketch of what those obligations and hazards are.

After the charter, the bill of lading, which is the senior member of a set of financial documents (and which is, under differing circumstances, either the main freighting contract in itself, or subsidiary and supplementary to the charter party), contains the fullest summary of contingencies. Both these documents began with very simple forms, in which the risks and exemptions were stated in broad general terms. (See Appendices D-1 and E.)

But these were for the simple days of sailers and for a traffic that was comparatively insignificant. With the advent of steam, there has been a constant tendency both to specialization in form and explicitness in detail which has made the modern charter party and bill of lading very formidable documents indeed.

There is no universally recognized form of charter for any trade or commodity. Not only do many organizations, or Exchanges, have their own forms (as the Baltic time form, Produce Exchange berth form, Welsh

coal form, and the various forms of contract adopted by the United States Shipping Board), but most large firms have their own special charters, containing special provisions, or individual forms of expression, which must be carefully scanned for possible results before being accepted.

A dispute-proof charter is still a dream of the future. With all the best brains of the shipping world for fifty years working upon the problem, there probably was never a charter signed which some turn of events could not make ambiguous in some of its provisions. It will hardly pay to discuss these matters along legalistic lines, chiefly or even largely, but more as legitimate shipping men, who look at each problem from the practical viewpoint of immediate economy, and leave the finer points of law to counsel. Yet many legal or semi-legal points have to be solved offhand, for lack of the time required by lawyers to look up precedents and formulate elaborate opinions.

Any firm may have, and most shipping firms do have, special forms of charter to cover their own particular business needs. These run largely to special cargoes, such as coal, lumber, nitrate, sugar, ore, grain, and dozens of others. But, whatever be the special cargo to which the form is adapted, there are four main classes, under one of which nearly every one would fall.

1. *The Bare-Boat Form.* This form of charter is akin to the lease, for a given period, of an unfurnished house, the tenant paying all expenses and defraying the cost of insurance and repairs. The charterer not only pays all voyage and cargo expenses, but engages the officers and crew and pays and subsists them, and covers Marine and War Risks as well as repairs.

2. *The Time Charter.* This is a contract under which the charterer hires the ship, manned, provisioned, and supplied with deck and engine-room stores (but not with fuel), for a given period of time; for service within specified limits; for a stated compensation per unit of time. That is to say, such are the lines along which the stipulations of the usual forms of time charters run. There is, of course, nothing to prevent two parties from modifying any of the usual provisions of a contract form, if they are both agreed. This form of charter may be likened, in real estate, to the leasing of a furnished house where general service is supplied by the landlord.

3. *The Net Form Charter.* A modified form of time charter. The ship is hired for a given voyage, and the freight may be agreed upon at a given rate on the ship's dead-weight capacity; at a given rate per unit on the cargo actually shipped; or at a lump sum, no guaranty of capacity or quantity of cargo being given, save that it shall be "sufficient for ballast." The personnel of the ship is paid by the owner, and subsistence, engine supplies, and deck supplies are also at the owner's charge.

Expenses incident to the voyage and the cargo (as distinguished from those pertaining exclusively to the operation of the ship) belong, under this form, to the charterer. Briefly, under the net form, the operating expenses go to the owner, the voyage and cargo expenses to the charterer. The main differences between this and the time form are that in the net form fuel is for the owner's account; the exact period of the charter is not defined; and the exact voyages are. In the time form fuel is at charterer's expense, the period is defined; but the voyage or voyages are not. To continue



the real estate simile, a net form charter resembles a hotel on the European plan, where space, heat, light, and service can be had for a longer or shorter period on fixed terms, and everything else is charged as an extra.

4. *The Gross Form.* Here the owner pays all regular expenses incident to the voyage from the time the ship is berthed until the cargo is discharged. Not only the operating expenses, subsistence, stores, and supplies for deck and engine, as well as fuel, are paid by the owners, but port charges, towage, pilotage, wharfage, stevedorage, and all ordinary expenses that arise from the regular prosecution of the voyage, or are incident to the loading and discharge of cargo, are for the shipowner's account. This is like an American plan hotel, where the guest pays a given rate a day, which includes everything except breakage and a few incidentals. For, even in a gross form charter, expenses out of the ordinary must be paid by the charterer. Hence, if expense is caused by packages that are too heavy for the ordinary winch or too large for the ship's hatch, or if extra expense arises from working nights or holidays, all these and similar extras must be assumed by the charterer. The gross form is the one in which the owner assumes the greatest obligations, as in the bare-boat form these are assumed by the charterer.

It will be found that all the regular forms for charters fall more or less completely into one of these four classes. For instance, South American coal charters are pretty nearly net form, while the regular West India coal form is practically gross.

The subjoined is a simple specimen of the Gross Form Charter Party.

## GROSS FORM CHARTER

1. *This charter party made and concluded upon in the city of New York, the first day of September in the year of our Lord One Thousand Nine Hundred and Nineteen between Simpson, Spence & Young, agents for owners of Am. Steamship Manhattan, of New York, of the burthen of 2,280 tons, or thereabouts, net register measurement, classed 100 A1 Lloyds, of the first part, now trading, and Richard Roe & Co., Inc., of the second part.*
2. *Witnesseth, That the said party of the first part agrees on the chartering and freighting of the whole of the said vessel (with the exception of the deck, cabin, and necessary room for the crew and storage of provisions, sails, cables, and fuel), or sufficient room for the cargo hereinafter mentioned, unto said party of the second part, for a voyage from New York to Buenos Aires, or so near thereunto as she can proceed, and always float with safety on the terms following.*
3. *The said vessel shall be tight, staunch, strong, and in every way fitted for such a voyage, and receive on board during the aforesaid voyage the merchandise hereinafter mentioned (the act of God, adverse winds, restraint of princes and rulers, the king's enemies, fire, pirates, accidents to machinery or boilers, and all other dangers and accidents of the seas, rivers, and navigation, of whatever nature and kind soever during the said voyage, always excepted). The said party of the second part doth engage to provide and furnish to the said vessel a full cargo, under deck, of lawful merchandise.*
4. *And to pay the said parties of the first part, for use of said vessel during the voyage aforesaid (\$22.50) twenty-two dollars and fifty cents per ton of 2,240 pounds, or 40 cubic feet (at ship's option) for all cargo shipped.*
5. *Bills of lading to be signed by master or owner's agents without prejudice to this charter.*

Freight payable in cash at New York, free of discount or interest, on signing of bills of lading, and to be earned irrevocably, vessel lost or not lost, cargo delivered or not delivered.

6. Lay days, if required, not to commence before *September 1, 1920*; charterers have privilege of canceling charter should steamer not be at her loading port ready for cargo by *October 1, 1920*.
7. It is agreed that the lay days for loading and discharging shall be as follows (if not sooner despatched) commencing from the time the vessel is ready to receive or discharge cargo, notwithstanding any custom of the port or trade to the contrary: (20) *twenty running days (Sundays and holidays excepted)* for loading and discharging, reversible.
8. And that for each and every day's detention by default of the said party of the second part, or agent, \$2,500 per day, day by day, shall be paid by said party of the second part, or agent, to said party of the first part.
9. It is mutually agreed that this shipment is subject to all the terms and provisions of and all the exemptions from liability contained in the Act of Congress of the United States entitled "An Act Relating to Navigation of Vessels, etc.," approved on the 13th day of February, 1893.
10. Seaworthiness warranted only so far as ordinary care can provide, and steamer not to be liable for loss, detention, or damage arising from latent defects existing at the time of sailing.
11. General average, if any, to be settled according to York-Antwerp rules 1890, or the local custom of the port of New York, at charterers' option.
12. Steamer to have liberty to tow and be towed and to assist in all situations, also to call at any port or ports for coals or other supplies.
13. The cargo or cargoes to be received and delivered alongside of the vessel, where she can load and discharge, always safely afloat, within reach of her tackles, and lighter-



age and also extra lighterage, if any, at the risk and expense of the cargo.

14. Cash sufficient for vessel's ordinary disbursements, if desired by master, to be advanced by charterers, or their agents, at ports of loading and discharging, subject to usual charges for interest, commission, and insurance.
15. A commission of 5 per cent. on the amount of freight and the customary freight brokerage is due on signing of this charter party, ship lost or not lost, to SIMPSON, SPENCE & YOUNG, by whom, or their agents, vessel's business is to be attended to at ports of loading and of discharge on customary terms.

## CHAPTER XXX

### CHARTER PARTIES: GROSS FORM

**T**HE gross form charter, in brief, is a contract of affreightment where the operating, loading, discharging, and voyage expenses of ship and cargo are included in the agreed freight rate, and are defrayed by the owners of the ship. It is the simplest form of charter for the merchant, and includes the largest risks as well as the largest expenses for the ship.

While charter-party forms have undergone continuous change and improvement for centuries, while every fresh emergency and every fresh experience adds fresh clauses, until what was originally a short and simple instrument has become long and complex, it is probably true that no charter can ever be drawn that will not be open to grave differences of interpretation under certain combinations of circumstances. We shall later on take up some of the curious and unexpected turns that the vicissitudes of shipping conditions have given to charter interpretation. Certain forms of charter clauses, however, have been so uniformly adopted that they may be considered as tested, and are found in nearly all the regular line forms.

We shall perhaps most effectively learn the structure of this form of contract by analyzing the clauses of a "gross form" charter, one by one, as they occur. For convenience, the necessary blank spaces have been filled to make a pro-forma charter. (See page 252.)

*Clause No. 1.* Omitting the date, this clause contains the first warranty given by the owner. That is to say, the owner becomes responsible for the correctness of the statements as to ship's nationality, name, hailing port, and approximate size and rating. All these are important to the charterer for insurance purposes, since the underwriters may require the identity of the ship before naming premium rates. Any error in description might result in cancellation. Several ships of the same name and nationality are often listed.

The owner in this clause guarantees the description, and there can be no substitution of another steamer, even though similar in all respects.

The position of the ship is also guaranteed to some extent, although in the form given the position is the most general that can be imagined; that is to say, "trading," which merely means that she is in service somewhere. Charterers generally prefer a more specific guaranty, such as "now on voyage from Havre to New York" or "now lying in the port of Boston" or "now trading in the Gulf of Mexico."

The main object in referring to this clause is to call attention to its importance, as many who should know better have a way of regarding it as merely formal. The point to be marked is that the owner warrants his description and the position of the vessel.

*Clause No. 2.* In this clause the owner of the ship guarantees to place at the disposal of the charterer the whole of the ship (with certain necessary reservations) for a given and definite voyage, namely, from New York to Buenos Aires. The charterer, in assenting to this clause, gives warranty, first, to use the ship for the voyage named; second, to use the whole of the ship; and,



third, that the vessel shall proceed to a discharging berth where she can always float with safety; or, failing that, there is an implied warranty that delivery of cargo will be accepted at the nearest point where this condition of safety can be fully met.

It may be said that the above clause is imperfect and insufficient; as the words "so near thereunto as she can proceed and always float with safety" are not specific. The causes that may prevent her proceeding to the port of destination are in no respect specified, and the ship might claim that any cause that prevented her proceeding to the port of Buenos Aires would place her within this exemption of the charter. It is true that this contention would probably not stand in law, but it might cause annoyance, delay, and not improbably considerable loss of money to one party or the other. However, in most charter forms this matter is taken up more *in extenso* and made (perhaps) as definite as circumstances permit.

*Clause No. 3* contains the most important warranty given by the owner, being an express guaranty as to the seaworthiness of the ship. It is likely that this warranty can be enforced at law under nearly all conditions. The exemptions mentioned in this clause are probably sufficient in nine charters out of ten. In most of the forms used to-day, however, these exemptions are stated at much greater length than in the clause now under consideration, as will be seen later on.

In this clause, also, the charterer repeats and strengthens his guaranty to furnish a complete cargo for this ship; and further warrants that the cargo tendered shall be lawful merchandise. With regard to the limitations of this term there has been widespread mis-

understanding as to what really constitutes lawful merchandise. A very common idea is that lawful merchandise excludes dangerous cargo, explosive cargo, or cargo that might taint, injure, or destroy other cargo that may be stowed in the same ship. This is not true. All cargo comes under the term lawful merchandise, as used in this clause, except such articles as may be prohibited by law from being shipped from the port of loading to the port of discharge. Ordinarily all cargo, save contraband of war, may be considered lawful.

*Clause No. 4.* This clause provides for the remuneration to be paid to the ship for performing a voyage, and the present pro-forma charter is what is known as a rate charter; that is, the freight is payable at a given rate per unit. The total freight, therefore, is dependent upon the number of units loaded.

If Clause No. 4 read, "that the charterer should pay to the owner \$60,000 in full for the voyage," the charter would then be known as a lump-sum charter.

In that case, the charterer would accept the risk of what the vessel might carry, and he would not know the cost per ton until the vessel was actually loaded and the total freight earned divided by the total number of tons shipped.

It is quite evident that in the case of a rate charter it is to the owner's interest to place every available inch of room or pound of capacity at the service of the charterer; for the more cargo the vessel loads the greater will be the owner's revenue. But in the case of a lump-sum charter the reverse is the case. The owner's revenue is then assured, fixed, and limited; and the less cargo he loads the less his expense of loading, since in this form of charter the cost of loading and discharging is

payable by the ship. Cases have been known where, under a lump-sum charter, the captain has partitioned off and made claim to a considerable amount of cargo room as necessary for his stores, and endeavored to force the charterer to give him a bonus for surrendering his claim. Such action could not succeed if the charterer knew his business, but there are some charterers who do not know their business. Any attempt of this sort would, of course, be quite unlikely where the ship's remuneration is on a rate basis.

*Clause No. 5.* This provides for the authorized signing of bills of lading; and the words "without prejudice to this charter" convey a warranty that the bills of lading shall be subordinate to the charter party in the matter of rate. In other words, in case of conflict between the bill-of-lading rate and the charter rate, the latter would decide the amount due.

If the bills of lading under this charter were properly drawn, they would also state that all terms and conditions were subject to the terms of the charter party of such-and-such a date. It is the practice, and a very proper practice, of the trade to make the charter party the ultimate contract, and, strictly speaking, it is the contract that is most for the benefit of the owner. The bills of lading are often signed more for the convenience to the charterer or shipper.

The reader will understand that, in most general cargo charters, the charterer hires the room to relet in smaller units to such merchants as have cargo to ship. Hence there are three interests to be regarded — the owner, the charterer and the shipper.

There is room for perplexing situations, where the charterer engages freight from third parties, and the



master of the ship signs bills of lading that are at variance with charter terms. Evidently very serious injury might be done to either the shipper or the owner if the charterer should provide bill-of-lading forms that altered the terms of the charter, unless said charterer is held responsible for consequences.

On the one hand, the owner may find that the signature of such a form by the master, as the owner's agent, has committed him to obligations not contemplated by the charter; on the other, if both owner and charterer are permitted to evade liability, the shipper is obviously wronged.

In this as in most admiralty law the precedents are chiefly English, and their trend is uniformly to protect the shipper or his assigns. It may therefore be taken for granted that, in case of loss or penalty resulting from discordance of the charter and the bill of lading, either the owner or the charterer is accountable to the holder of the bill of lading, excepting in the one case hereafter stated. The loss or penalty in such cases will vary according as one of the three following conditions may obtain:

- A. Where the holder of the bill of lading is both the charterer and shipper.
- B. Where the shipper of the goods is other than the charterer.
- C. Where the holder of the bill of lading is an assign by indorsement from the shipper.

— In case A, where the charterer is himself the shipper of the goods, he necessarily ought to know of the difference between the two documents. The proper view here would appear to be that the charter party shall

govern, thus relegating the bill of lading to the position of a mere receipt for the goods.

Of course, the charter party could be varied by agreement, and such an agreement may be expressed in the bill of lading. But in that case charter party should be stamped, "On conditions as per bill of lading."

In case *B* the shipper is not the charterer. Here the precedents distinguish between cases where the shipper knew (or ought to have known) of the discordance between the charter and the bill of lading, and cases where he could not know. If the shipper does know, the decision would probably be as in case *A* — the charter would govern. Otherwise, and if the master signed as agent of the owner, the owner would very probably be liable.

But if the charter were so worded as to become what is called a demise (that is, a lease in which title to the ship is for the time vested in the charterer), the master would be acting as the charterer's agent, and the owner would probably escape.

Case *B* is so doubtful and capable of so many variations that it is impossible to follow them all. It may be said that where there is discrepancy between the charter and the bill of lading, both the owner and the charterer have reason for disquiet.

Case *C*. The same may be said of the case where the bill of lading has been acquired, for value, by an innocent third party. The tendency of the law would be to protect the holder of the bill of lading, placing the loss on the owner or charterer, according to circumstances; for the bill of lading, which is the essential evidence of title, must be protected.

The conclusion to be drawn from the mass of con-

fusing decisions in relation to these possible disagreements between the bill of lading and the charter party is that it is worth, in the interests of all parties, any amount of care and attention to assure that no discordance between these two documents shall exist.

The clause providing for the payment of freight on signing bills of lading is a war-time clause pure and simple. It is to be noted that recent decisions make this prepaid freight recoverable in case of non-performance of the voyage, unless the charter should provide (as it does in the present case) that the freight money shall not be returned to the shipper in case of loss. In other words, were the clause beginning "and to be earned irrevocably" to be omitted, the owners would be obliged to return freight in case the vessel were either lost or prevented by any cause from making the voyage — and very properly so; for under ordinary conditions the ship has no moral right to be paid for an unperformed service.



## CHAPTER XXXI

### CHARTER PARTIES: GROSS FORM (*concluded*)

**C**LAUSE No. 6. This clause contains what is known as the tendering and canceling dates: the tendering date being the earliest date on which the ship may be tendered for cargo and her acceptance demanded; and the canceling date the date after which the charterer has the free choice of performing or canceling the charter. Under this clause the passing of canceling date without a tender releases the charterer if he so desires; but it does not release the owner from the necessity of tendering. Even if it be necessary for the ship to make a voyage in order to reach a tendering port, she must do so if demanded by the charterer, and the latter is by no means obliged to say in advance whether or not he will accept her when she is tendered. The ship must proceed to the loading port and tender ready for cargo, even though the owner be morally sure that the charterer intends to cancel, unless the contract be subject to special rules that provide otherwise.

*Clause No. 7.* This is known as the lay-day clause, and provides for the number of lay days to be used, or sometimes (as in the case of a coal charter) the quantity of cargo that is to be loaded or discharged each day; and these are warranties given by the charterer, and for them he is accountable except in the case of certain specified conditions arising.

In the particular case under consideration, the lay days are to begin immediately on service of written notice, by the master, that the vessel is ready to receive or discharge cargo. In some forms it is provided that the lay days shall begin twenty-four hours after the ship is properly tendered, or (in some others) the beginning of lay days is dependent on the time of day when notice of readiness is served. In the New York Produce Exchange form of berth charter it is provided that where notice of readiness is served by the master previous to four o'clock P. M., lay days shall commence at the opening of working hours on the following business day; but where notice is served upon the charterer after four o'clock P. M., lay days shall not commence until the opening of working hours on the second business day thereafter.

The lay days provided in this charter number twenty (excluding Sundays and holidays) for loading and discharging, reversible. The same provision could be expressed thus: "Twenty working days for loading and discharging."

The term "reversible" means that any lay days not used for loading shall be available for discharging, or *vice versa*. This form is not universal. Frequently the charter provides a given number of days for loading and a given number of days for discharging, or sometimes "despatch for discharging," which simply means that the vessel shall discharge as fast as she can. Despatch for either loading or discharging is a poor condition for the owner, since the effect is to relieve the charterer of liability for delay, providing the delay is not his fault.

*Clause No. 8.* This is a very simple and rather incomplete demurrage clause. The purpose of demurrage

is, of course, to recompense the owner of the ship for the delay and expense caused by charterer's failure to keep his contract as to lay days; and further to discourage the charterer from holding the vessel any longer than is actually necessary. For this reason demurrage is usually fixed at a *per diem* rate based upon the daily value of the ship under the charter, with an additional sum as a penalty for default.

For instance, if the estimated gross revenue of a ship for a 100-day voyage (including days used for loading and discharging) were \$100,000, the basis of demurrage would probably be about \$1,000 a day, and \$400 or more might be added by way of penalty.

The exact amount of demurrage is always subject to negotiation, except in certain trades (such as the Welsh coal trade) where the acceptance of the charter form constitutes an acceptance of the demurrage scale provided in that form, unless exception be taken thereto.

One further important point in relation to demurrage must be borne in mind. Once the lay days have expired and demurrage has begun to run, all the exemptions provided in the counting of lay days cease to apply. If Sundays and holidays are excluded in the count of lay days, they are not excluded from the count of demurrage. If weather working days are provided by charter, stormy days will count just the same in the count of demurrage. If the charterer is exempt from delay caused by strikes, the strike clause will only benefit him while the lay days, as provided under the charter, continue to run. In other words, a charterer having failed to live up to his contract as to lay days is in effect completely at the ship's mercy; and, strictly speaking, the only consideration that can limit his liability is the limit of his credit.



This should be particularly noted, as it is a point that even shipping men often fail to grasp. There have been numerous decisions, both legal and commercial, to the above effect, the theory being, of course, that all delays from causes developing after demurrage has begun are the direct result of the charterer's failure to complete loading<sup>1</sup> within the specified time; and it is, therefore, unjust that the owner should suffer, even though the direct causes of delay should be beyond the control of either party. In very extreme cases of demurrage there is usually a compromise.

Clause No. 8 should properly contain this additional phrase, especially in these times of high freights and consequently high demurrage: "part days in proportion"; as in a demurrage of \$2,500 a day the vessel's time is worth over \$100 an hour; hence the question of demurrage for fractional parts of the day ought to be explicitly clauséd.

*Clause No. 9.* This clause relates to what is known as the Harter Act, which has now been in force for more than twenty-six years. As this will receive treatment in a later chapter, we shall not further refer to it here.

*Clause No. 10.* This clause is an attempt to exempt the owner from damage or loss caused by latent defects in the ship, and to that extent is intended to modify and weaken the owner's obligation to keep the vessel tight, staunch, and strong, as provided in Clause 3.

Admiralty law is as uncertain as any other law, but a great mass of decisions shows that the tendency of courts is to hold (especially in America) that nothing in the charter party can, under ordinary circumstances, exempt the owner from his obligation or implied war-

<sup>1</sup> Or discharging.

ranty as to the seaworthiness of the ship. This clause, while almost universal, is of doubtful value. (See Chapter No. XL.)

*Clause No. 11.* The question of general average (as well as the peculiarities of the York-Antwerp rules 1890) has been already touched upon.

*Clause No. 12.* This clause is one frequently availed of, and is stated with great breadth. It is generally interpreted, however, both by courts and commercial bodies, as subject to reasonable interpretation; that is, the steamer would have the liberty to tow and assist vessels met during the proper prosecution of her voyage, provided she towed them no farther than was necessary to secure their safety; and she would have the right to call at any port or ports for coal and other supplies, provided she was in want, and provided she should secure the needed supplies from the most available port, under all the circumstances. As to just how the clause will be interpreted in any given case is always a matter for discussion, and often of bitter controversy. Each case must be considered on its own particular merits, and no general rule can be laid down.

*Clause No. 13.* This provision for the reception and delivery of cargo alongside of the vessel is the usual one, and constitutes a warranty from the charterer that he will order the vessel to a safe berth where she can always safely lie afloat; and that he will tender, and accept delivery of, cargo where the ship's tackles can reach it, whether that be on the wharf alongside of the ship, or on a lighter or other floating cargo carrier.

The explicit provision is always made that lighterage, if any, shall be borne by the cargo; but this is merely a restatement in express form of the essence of the clause,

since it is directly implied in what immediately precedes it.

*Clause No. 14.* This is an undertaking on the part of the charterer, or his agent, to meet the financial convenience of the ship, if necessary. Ships do not always discharge their cargoes at ports where owners have reliable correspondents or dependable connections; and it is, therefore, usual to make a provision similar to this, of which the owner, however, is under no obligation to avail himself. The usual charges for advances under these circumstances are  $2\frac{1}{2}$  per cent. for the advance, interest for the period of the loan, and cost of insurance, if repayment is considered to depend in any degree on the safety of the ship.

In the charter under examination there is lacking a clause that the charterer should always demand. This is a clause exempting the charterer from liability after his own obligations have been discharged. It is known as the "cesser clause," because it determines the point at which the *charterer's* liability ceases.

The usual cesser clause will read as follows:

The liability of the party of the second part shall cease and determine as soon as the cargo is loaded and the freight is paid. Steamer to have a lien upon the cargo for all freight, dead freight, and demurrage, and all and every other sum or sums of money which may become due the steamer under this charter.

In other words, the cesser clause here releases the charterer when he has done all that devolves on him at the loading end. For further performance the ship agrees to have recourse to the cargo, the lien on which is specifically retained. (That lien, of course, would



still apply even if the cargo should be owned by the charterer.) The view apparently is that, the full obligations at the port of loading having been discharged, it is fair to the charterer, and quite safe for the ship, that the cargo answer for further claims.

But where, through the terms of the bill of lading or from any other cause, the lien on cargo has become ineffective, courts have held that the cesser clause became inoperative, as its immunities were granted only in consideration of an effective lien. In general the decisions favor the view that the cesser clause only relieves the charterer to the same extent that the lien protects the shipowner.

Again, where an exact rate of demurrage is named, the cesser clause may protect the charterer against a suit for demurrage; and yet be no protection against a "damage-for-detention" suit. But in general the cesser clause is an important protection to the charterer, and he should insist upon it. The owner should protect himself if he has any cause to fear that a lien at the port of discharge would be of doubtful value.

*Clause No. 15.* This is known as the commission clause. Until recently a 5 per cent. commission was usually divided thus: one third to the foreign agent of the ship; one third to his United States correspondent; and one third to the broker through whom the charter was effected. The broker can often be eliminated; but it does not pay owners to give brokers the cold shoulder. It is all right when every one wants ships; but a day is coming when the owner will be glad enough to cater to the broker. As a rule, the latter earns his share of the commission.

Nowadays all sorts of war commissions are charged,

and divided in all sorts of ways. Recently the writer saw a charter that cost  $14\frac{1}{2}$  per cent. in open and hidden commissions. Which shows that General Sherman was right about war.

The provision as to agency is rarely insisted on, if the owner has agencies that he prefers at either or both ports.

A simple form of charter has been purposely chosen here, as being best suited to show the skeleton of this form of contract. This form can be used for any kind of general cargo, but was intended chiefly for ore. For general use a more explicit form would be desirable — a matter that will be taken up a little later on.

The gross form of charter is most suitable for small operators and casual or occasional business. The owner is naturally inclined to play safe in naming a price to cover all cargo and voyage expense; and firms with established routes, a good organization, and experience can usually save money by assuming these expenses themselves under the net or time forms. When novices essay the net or time charter, they usually regret it.

## CHAPTER XXXII

### CHARTER PARTIES: NET AND BARE-BOAT FORMS

**H**AVING examined a simple specimen of the gross form of charter, it is a simple matter to distinguish between the net and the gross form.

In general the gross form charter may be described as one where the operating and voyage expenses and port charges are paid by the ship; and the net form as where operating expenses are paid by the ship, but voyage expenses and port charges are paid by the charterer. In practice, however, this general form of definition is apt to cause dispute. For instance, what shall be considered voyage expenses and what shall be considered port charges? Is the wharfage part of the voyage expense? Is the pilotage either a voyage expense or a port charge? That might conceivably vary according to the laws of the port; being properly borne by the charterers if pilotage is compelled by law, and by the owners if it is not compelled by law. These are examples of the questions that may come up, and it is therefore advisable that the clause dealing with this matter be as explicit as possible.

The net form differs in only a few items from the gross — that is to say, as far as the charter form is concerned. Such differences as exist are ordinarily distributed through several clauses. Hence they not only have to be sharply looked after, but it takes careful



thought and review to be certain that they are right and clear. There would seem no good reason, however, why all these items should not be grouped in one clause, since in each case the question is the same — *i. e.*, is the charge paid by the owner or is it paid by the charterer? If we could get all these differences into one clause we would not only make the provision clearer by such grouping, but we could make one form serve either for the gross or the net form of charter.

The following clause (combined with the usual provision as to the manning and operating of a ship, which in either net or gross form belong to the owner) seems to accomplish these purposes — since if it be filled at the blank to read “borne by charterers” the contract at once becomes a net form charter. If, on the contrary, it be filled in “to be borne by owner,” the charter becomes a gross form.

Charterers shall designate stevedores, who shall load, stow, and discharge vessel under direction of the master. All loading and discharging expenses, port charges (including regular outward and inward towage and pilotage at ports of loading and discharge), wharfage, and harbor dues shall be borne by ..... Stevedorage and wharfage rates, if payable by owners, shall not exceed those customary at the respective ports of loading and discharge.

*Loading and Discharging Expenses.* These will include the employment of stevedores on regular time, which on the gross form would be an expense of the ship. Overtime, when required by the charterer, is at the expense of the charterer in either form.

Light and harbor dues, anchorage dues, harbor pilotage, sea pilotage, health stamps, consular fees, custom-

house fees, disinfection where necessary, and such items as boat attendance, and of course measuring, tallying, and weighing, are, under the net form, all for account of the charterer. The clause includes only the regular outward and inward towage and pilotage at ports of loading and discharge. The intention is to prevent a ship from incurring sea towage at the expense of the charterer. Sea towage (even in net charter) as well as pilotage, if beyond the usual limits of pilotage and at extra expense, would still be for account of the owners of the ship.

In regard to wharfage, where the general clause specifies merely loading and discharging expenses, wharfage has sometimes been paid by the charterer, and sometimes by the ship; for this reason the specification of wharfage here is very desirable. If the parties come to an agreement that wharfage shall be eliminated, it can easily be crossed out.

The final provision that stevedoring and wharfage rates, if payable by the owner, shall not exceed those customary, is made for the protection of the owner, who will not ordinarily be in a position to give the matter personal supervision. This stipulation is highly desirable. No man is good enough to be intrusted with the privilege of spending another man's money without some definite limitation.

**BARE-BOAT FORM.** After examining the three preceding forms of charter, it will be necessary only to refer to a few clauses that contain the distinctive features of the bare-boat form.

In the United States Shipping Board bare-boat form, it is contemplated that the United States shall be charterers. Clauses 2, 3, and 4 of that form provide:

The United States, at its sole expense, shall man, operate, victual, and supply the vessel.

The United States shall pay all port charges, pilotages, and all other costs and expenses incident to the use and operation of the vessel.

The United States shall assume war, marine, and all other risks, of whatsoever nature or kind, including all risk for liability, for damage occasioned to other vessels, persons, or property.

*Clause No. 6.*

The United States shall do all things necessary to maintain the vessel's class.

Under this form the owner has little to do, except to insure that the ship is seaworthy when tendered, and that his hire is regularly paid. He has also the burden of proving the correctness of his dead-weight claims.

The charterer binds himself to return the ship in as good condition as that in which she was delivered to him, ordinary wear and tear alone excepted.

The usual provision is made for outfit, compensation in case of loss, or constructive total loss; and for redelivery at the end of the charter period. But these need not detain us, since they are of the same purport as those that we have already examined, or else are so clear and simple as not to require explanation.



## CHAPTER XXXIII

### GROSS OR NET CHARTERS CONSTRUCTING A CHARTER FORM

**T**HE last chapter dwells upon the only essential difference between the regular net and gross form charters. Since our examination of the gross form was confined to a very simple and sketchy specimen, it will be well to go into the clauses of a charter party that shall cover more fully the exemptions, responsibilities, and obligations of the parties thereto than the one we have examined. In thus selecting, modifying, and adding to the clauses already examined, we shall, in effect, be constructing an original charter party.

In clause No. 3 of the gross charter that we analyzed, there is missing the following useful provision :

The ship has liberty to call at any port or ports, in any order, to sail with or without pilots, to tow or be towed, to assist vessels in distress, and to deviate for the purpose of saving life or property. Also to call at any port or ports for fuel or supplies if necessary.

This is one of the tested clauses the use of which is nearly universal. The courts would probably sustain the above rights of the ship within reasonable limits, even though they were not specified in the charter; and would not sustain any unreasonable exercise of them, however expressed. Still, the fact of nearly universal use renders this clause worth while, lest (in view of its

general use) it be argued that its omission must be construed as intentional.

In clause No. 4, where rates of freights are specified, the following clause provides a convenient guide for procedure in case the ship is "light," that is, not down to her marks:

Charterer agrees to load vessel to full draft allowed by underwriter's surveyors; failing which, they are to pay full freight as stipulated, at the agreed rate for number of tons short shipped, as shown by extra buoyance.

There can be very little dispute about this if the ship be ready to prove her capacity.

A desirable clause that is entirely absent from the charter examined is the following:

No merchandise, except from said party of the second part or his agent, shall be laden on board the vessel without the consent, in writing, of party of the second part.

*Readiness Clause.* A good, clear, and specific readiness, tendering, and canceling clause is the following:

Written notice of readiness shall be delivered at charterer's business address by 4 P. M. on the business day next preceding beginning of lay days. When such notice has been so delivered lay days shall commence at 7 A. M. on the following business day, and shall thereafter count continuously, except as hereinafter provided. Lay days shall not begin (except by consent of charterer or agent) before February 1, 1920, and should vessel not be tendered ready on or before March 1, 1920, charterer shall have option of performing or canceling this charter, declarable on date of actual tender.

There can be no doubt as to such a provision for notification and commencement of lay days, and this matter

cannot be made too clear. It is amazing how many quarrels come of misty phrases on this particular point. Note also the implied obligation of owner to tender the ship, even if canceling date has passed, and of charterer to accept or cancel on the same day.

The question as to what constitutes readiness to load is one that is bound to come up from time to time, since it will often be to the advantage of the charterer to cancel, and if tender be made at the last moment, his interest will lie in contending that the ship is not ready for cargo, and that hence he may exercise his option to cancel. On this point the following questions are pertinent:

May a charterer cancel when the ship must undergo further repairs before she can go to sea?

Has an owner the right to tender if he must calk his seams while cargo is going aboard?

Is an owner fulfilling his guaranty of seaworthiness in tendering a ship with her engines dismantled?

Is a ship ready for cargo when she is not ready in all holds?

These questions have come up many times, and been decided by a sufficient weight of judicial opinion to justify us in forming these definite conclusions:

1. A ship is not tenderable for cargo unless she is ready to load in all her cargo holds, and has all repairs completed inside those holds, so that further necessary repairs will not in any way interfere with loading.
2. She must be seaworthy to load, which means that she can stow her whole cargo without risk of water damage, while in loading berth; and she



must be capable of being made seaworthy for sea while loading.

3. Seaworthiness for harbor and seaworthiness for sea are two different things. To be tenderable to load she does not have to be ready to go to sea; but while she is in loading berth reasonable repairs to hull, engines, or equipment may be effected, as long as they do not interfere with the loading or stowing of the cargo.

To avoid all questions upon the above points it would be well to add the following to the charter form:

Steamer to be properly tenderable when she is ready to proceed to loading berth, with all holds ready for the stowage of cargo. Reasonable repairs, not delaying the receipt or stowage of cargo, may be effected, as respects hull, engines, or equipment, while steamer is loading.

*Demurrage Clause.* The clause that we have examined has the virtue of brevity, but is incomplete. In a matter of such importance it is worth while to be clear, even at the expense of a little space.

The following clause seems not too explicit to cover this matter, for there is nothing that a charterer so hates to pay as demurrage, or that he will fight harder, and with less regard for the rules of the game.

Lay-days for loading and discharging shall be as follows:

Twenty running days, Sundays and holidays excepted, reversible. Lay days not used for loading shall be available for discharging. And should the ship be further detained by fault or default of the charterer or his agent, demurrage shall be paid at the rate of (\$2,000) two thousand dollars United States gold (payable day by day, as it may accrue) to owners or their agent; (part days in proportion). Any delay caused

by charterer's failure to make prompt settlement of freight shall count as demurrage at the rate agreed under this charter. If bills of lading not in accordance with the requirements of this charter party shall be tendered to the master for his signature, he shall refuse to sign said bills of lading; and any time lost as a result of the tender of such bills of lading shall be solely for charterer's account, and shall count as demurrage time under this charter.

It will be noticed that this clause interprets the term reversible by adding that days not needed for loading may be used for discharge. Demurrage is only due from the charterer when the delay is by his default. This is the usual phrase. The provision for payment in United States gold is highly desirable in these days of depreciated foreign currencies. The further, and not very usual, provision made to guard the ship in case of delay from the presentation of improper bills of lading for the master's signature is wise. Here is a not uncommon situation provided with a remedy. If the result of trying to bluff through an inadmissible bill of lading is to be a bill for demurrage, over-sharp shippers will not be anxious to try it on.

It may be remarked that the charterer and shipper have a direct interest in the acceleration of the voyage, and yet no provision is made to protect them in case the ship should delay unwarrantably. This situation sometimes arises; but in general the shipowner is so deeply interested in hurrying his vessel away that no protection has been deemed necessary against delay. His self-interest should be protection enough. Where there is such delay, it is usually the result of the owner having tendered and the charterer accepted the ship when she was really not seaworthy even for loading. Under such

conditions the charterer or shipper would seek redress at law.

The recent case of the schooner *Malcolm Baxter* is one in point. That ship, after quite a history of disaster stretching over a year, loaded for South Africa something over two years ago; and after being loaded was held by difficulties with the underwriters, who questioned the ship's seaworthiness. She lay just below Governor's Island for several months, and then sailed for South Africa—sometime in the autumn of 1918. She put into Norfolk in distress, where her cargo (as is reported) was discharged into warehouse, and the ship sold at marshal's sale. The shippers, of course, would have a claim against the ship for non-performance of contract, if it could be proved that she was unseaworthy on leaving New York. The value of such claim, if valid, would depend on how many liens on the ship were ahead of it.

Another vessel had a somewhat similar experience—the *Henry W. Cramp*, which, however, never left the port with cargo.

Incidentally, cases of this class disclose the very vital interest that the charterer or shipper may develop in the financial condition of the ship. In her may reside the sole protection of the shipper or consignee in respect of all claims of whatsoever nature to which the voyage may give rise. This has been particularly true during the war, when people were purchasing all kinds of ships, and financing them almost exclusively on faith, hope and charity.

*Hauling Clause.* None seem clearer or better than the one that follows;



The vessel shall haul to such loading berth or berths (where she can safely get, always safely lie afloat, and cargo be promptly handled) as may be designated by the charterer or his agent; but if the vessel is ordered to haul from one loading berth to another the charterer shall pay for the necessary towage and for all other expenses of every nature involved in such change of berth. Cargo to be delivered for loading, and received at discharge, within reach of ship's tackles.

Now compare the above with the following, which used to stand in a private charter form:

Party of the second part to have the privilege of moving the ship, but if more than once, shifting to be at the expense of the party of the second part.

For some years that clause was considered to be the equivalent of the clause first quoted.

Under a charter containing the last clause, a ship, after hauling into a loading berth, was moved, by the charterer's orders, to a second berth. The master claimed from the charterer the expense of the shift, on the ground that the ship had moved once by hauling into berth, and that the subsequent moving was his second move under the charter.

The charterer claimed that the performance of the charter only began after the ship had hauled to the first berth. Then, under the clause named, he had to pay shifting expense only if he moved her "more than once." But, as he had only moved her once after the charter began, the expense belonged to the owner.

On arbitration the charterer won.

*Dangerous Cargo.* To cover the ship against shipment of cargo which, while "lawful merchandise," is

yet undesirable from its dangerous character, the following is a suggestion:

There shall not be shipped on the vessel any *extra-hazardous explosive* or other cargo that might jeopardize the ship's insurance or enhance the cost thereof. Vessel not accountable for leakage, breakage, internal damage, or damage from contact with other cargo; nor insufficiency of packages; nor from injury to cargo arising from rust, corrosion, chafing, odors, or effluvia; nor from the dangers of the seas.

The exemption from liability on account of tainting, odors, etc., is very much to be desired.

## CHAPTER XXXIV

### GROSS OR NET CHARTER:

#### CONSTRUCTING A CHARTER FORM (*concluded*)

**S***TRIKE Clause.* This has become a clause of the first importance, owing to the increased frequency of acute labor troubles. Care should be taken that the clause is not so worded as to make its application too broad and indefinite. For instance, a strike in the Indiana coal district might make a shortage of coal; that might cause delay at factories which produce a raw material; that again cause delay in producing a finished product, or delay in railway transportation. Such an indirect relation between the strike and the delay should not exempt the charterer from demurrage. Nor, if the ship should default through the indirect results of a freight-handlers' strike in the Black Sea, would a charterer wish to admit this as an exempted cause for default. The exemption, therefore (as it would seem), should be made only if the delay directly results from the strike or lockout.

The following clause covers this particular point, as well as some others:

If the cargo cannot be delivered, loaded, or discharged as a result of any strike, or lockout, or stoppage of labor, on the wharf occupied by, or lighters engaged in delivery to, or reception of cargo from the vessel; or as a result of extraordinary occurrences beyond the control of charterer or receiver, which shall directly prevent the delivery and loading and/or



discharging of the cargo, the days for loading and discharging shall not count, during the continuance of such strike, stoppage, or lockout, unless demurrage shall have already begun. A strike of the receiver's men only shall not exempt him from any demurrage for which he would otherwise be liable, under this charter, if by the use of due diligence he might have obtained other suitable service, labor, or lighters.

Note the phrase *unless demurrage shall have already begun*. It is best to put this in, so that the charterer may know what he is signing. The clearer the contract, the less chance for loss and delay from disputes. And the delusion about the exemption, as to lay days, applying under demurrage, is very persistent. It cannot be too clearly borne in mind that, once demurrage has started, every day counts.

*Negligence Clause.* The undue expansion of this clause has made plenty of difficulty to the shipping trade, and has resulted, as far as our own laws are concerned, in some provisions of the "Harter Act." The main point to be here noted is that the courts pretty uniformly insist upon a reasonable interpretation of all such provisions; or, in other words, try to achieve equity, even at the expense of the letter of the contract. Note the breadth of the following clause:

The act of God, public enemies, restraint of princes, explosions, fire, floods, droughts, and all and every other dangers and accidents of the seas, rivers, and navigation, of whatsoever nature or kind, during said voyage always mutually excepted. Ship not accountable for any latent defect in machinery, equipment, or hull not resulting from want of due diligence on the part of the owners of the ship, or any of them, or of the ship's owner or manager. If the shipowners shall have exercised due diligence to make the vessel in all respects

seaworthy, and to have her properly manned, equipped, and supplied, in case of danger, damage, or disaster resulting from accident, or from faults or errors in navigation, or in the management of the vessel, or from any latent or other defect in the vessel, her machinery or appurtenances, from unseaworthiness, even though existing at the time of shipment or at the beginning of the voyage, provided the defect or the unseaworthiness was not discoverable by the exercise of due diligence; the shippers, consignees, or owners of the cargo shall nevertheless pay salvage and any special charges incurred in respect of the cargo, and shall contribute with the shipowners in general average to the payment of any sacrifice, losses, or expenses of a general nature which may be made or incurred for the common benefit, or to relieve the adventure of any common peril, all with the same force and effect and to the same extent as if such accident, danger, damage, or disaster had not resulted from or been occasioned by such faults or errors in navigation, or in the management of the vessel, or latent or other defect or unseaworthiness.

This clause is about as inclusive as a negligence clause could be made, and if literally interpreted would exempt the owner from liability for nearly everything except murder in the first degree; and probably for that, unless he were caught with the corpse.

As far as errors (of judgment or otherwise) in the management of the ship while at sea are concerned, the instinct of self-preservation is a great guarantor that the officers have done their best; and this assumption must largely color the attitude of courts in treating cases of this sort. Latent defects in machinery, providing proper inspection can be shown and proper certificates be produced, might get by; but in general any proved defect, latent or otherwise, which has caused damage to cargo and which constitutes unseaworthi-

ness, is a serious matter for the owner under either English or American law.

If a contract contains an agreement between the parties to the effect that due diligence on his part shall exempt the owner in case unseaworthiness shall develop; or if it is made a part of the charter that the charterer admits in advance the seaworthiness of the ship; the exemption would probably hold under several English decisions and, apparently, under the "*Jason* decision" of the U. S. Supreme Court.

It would seem that there has been a lot of very amateurish work on the negligence clause, with the result of frequently making a mess of it. Many of the negligence clauses read as if they had been drawn by Nevada divorce lawyers. The resultant waste of printers' ink and spoilage of good white paper has been very sad. Some of them are apparently attempts to cover every imaginable contingency, including all possible acts of God, man, and the devil, named in detail. Of course the authors got tired before they got through. Any one might foresee that they would.

The following clause, quoted from the Baltic and White Sea Conference form, seems to be short, direct, and explicit, and to answer all reasonable purposes. The method used is most simple. Instead of trying to specify all the cases in which the owner is not liable, the clause states, in general terms, the only conditions under which he is liable:

Owners are only to be responsible for loss of or damage to the goods; or for delay in delivery of the goods, or otherwise, in case same has been caused by want of due diligence on the part of the owners or their manager; in making the steamer



seaworthy and fitted for the voyage; or by improper or negligent stowage of the goods; or by the personal act or default of the owners or the manager; and the owners are responsible for no other cause of damage or delay whatsoever and howsoever caused, even if caused by the neglect or default of the captain or crew, or some other person employed by the owners, on board or ashore, for whose acts they would, but for this clause, be responsible.

That clause seems admirable — covering in a general way what cannot possibly be fully covered in detail; and doing it in much less than half the space that is needed for the clause first quoted. Besides which, it is in a more simple, direct, and intelligible style; and will be understandingly read by ten people, where the other will be so read by one.

As for the matter of seaworthiness, it attempts to beg the question. In this it does not differ from other clauses that aim to limit the owner's responsibility. After all is said and done, the courts will be apt to hold that where due diligence has been exercised the ship will be seaworthy; and, conversely, that where the ship is not seaworthy due diligence has not been exercised.

In the cesser clause it will be well to provide that the charterer be released from obligations only in exchange for an effective lien on the cargo. The advantage of the lien on cargo is in the immediate pressure put on the consignee to settle; and in the burden of proof, which is placed upon him rather than upon the owner. The aim of the ship's agent in attaching the cargo should be to make the consignee pay up so as to release it. The consignee can, if he likes, libel the ship, which will have to furnish a bond. The shipowner will then have the money, and will have given security to

repay it, if the consignee can prove that it was unjustly exacted; which is, from his point of view, very much better than letting the other fellow keep the money and suing him for it. Cash in hand is better than the best lawsuit ever started. Possession is nine points of the law.

But when the ship must discharge within a jurisdiction where the lien for freight, dead freight, and demurrage is either non-enforceable at law or of doubtful value, the cesser clause should, if possible, provide that the charterer shall still be held.

To this end the following clause has been suggested, and would seem to meet the requirements of the case:

The liability of the party of the second part shall cease and terminate as soon as the cargo is loaded and the freight is paid; provided that the lien of the steamship for all freight, dead freight and demurrage, and all and every other sum or sums of money which may become due the steamer under this charter, shall in no way be lessened or impaired.

Or this, also from the Baltic form, which seems to have the knack of putting things:

Owners have a lien on the goods for freight, dead freight, demurrage, and damages for detention. Charterers remain responsible for dead freight and demurrage (including damages for detention) incurred at port of loading. With regard to freight and demurrage (including damages for detention) incurred at port of discharge, charterers also remain responsible, but only to such extent that it has been impossible for owners to cover such claims by exercising the lien on the cargo.

Such clauses would be in line with some decisions re-

lating to this matter; which are to the effect that the cesser clause only releases the charterer in the degree that an effective lien is given on the cargo. Under Italian law a lien on cargo for demurrage cannot be successfully enforced, and, as a result, all sorts of advantages are there taken of the ship. One example will be enough. In 1917 the schooner *Frontenac* lay at Civita Vecchia for eighty days, discharging a cargo of lumber, though charter called for a discharge rate that would have released the ship in twenty days. But the lien against the cargo could not be enforced, and the best advice obtainable was not to attempt it. If a lien on the lumber could have been maintained, there would have been no doubt whatever of quick discharge, or, failing that, of demurrage being paid. The consignees simply used the ship as a free warehouse — free to them, but not to the shipowner.

There are plenty of other cases of this sort which are worrying American agents and owners to-day.

The cesser clauses suggested may be good, but in some charters for Italian ports a simpler method has been used; namely, cut the cesser clause out, make demurrage "payable day by day in New York as it accrues," and if the charterer be of doubtful responsibility (and some charterers are) make him give a bond. This can be done in war markets. In ordinary competitive markets it could not be done; for plenty of brokers are then willing to take a chance of this kind, to get the business; especially as the loss, if any, will not fall upon them, but upon the owner.

In making a charter form it is always to be remembered that the other party has to be reckoned with. The writer recalls a charter made by an owner's counsel en-



tirely from an owner's point of view. It certainly covered the owner to the verge of indecency. It had one fault — which was that no sane charterer would ever sign it.

The foible of the legalistic mind is this: that, being trained to advocacy, it naturally tends to look out for its own side exclusively and let the other fellow take care of himself; and that does n't always work — certainly not in charter forms.

Now, having selected the clauses we prefer, it will be interesting to see what kind of charter we have put together. It may be as open to criticism as any other charter, but at least we have had the practice of drawing it, and it will be interesting to know what it looks like:

#### REVISED GROSS OR NET FORM

*This charter party made and concluded in New York, the first day of February, 1920, between J. Doe & Co., agents for owners of the American steamship *Monadnock* of New York, classed 100 A1 Lloyds, of 2,000 net tons or thereabouts register measurement, now about due at New York, of the first part, and Richard Roe & Co., charterers of the second part; Witnesseth, That said party of the first part agrees on the freighting and chartering of the whole of said steamer (with the exception of the deck, cabin, and necessary room for the crew, and storage of provisions, ship's stores, fuel, sails, and cables) unto the party of the second part, for a voyage from the port of New York to Marseilles, France, on the terms following:*

1. The said steamer shall be tight, strong, and well fitted for such voyage, and shall receive on board for the aforesaid voyage a full cargo of lawful merchandise, which the said party of the second part doth engage to provide and furnish, and being so loaded shall therewith proceed, as or-

- dered when signing bills of lading, to the port of Marseilles (or so near thereunto as she may safely get, and always float in safety), and there deliver the cargo, agreeably to the bills of lading, at such wharf or berth as the charterer's agent shall direct.
2. The ship has liberty to call at any port or ports, in any order, to sail with or without pilots, to tow or be towed, to assist vessels in distress, and to deviate for the purpose of saving life or property. Also to call at any port or ports for fuel or supplies, if necessary.
  3. The said charterer agrees to pay to said party of the first part, or agent, for the use of said vessel during the voyage aforesaid (\$24) twenty-four dollars United States gold, per ton of 2,240 pounds gross weight of cargo laden upon the ship at port of loading, earned and payable at New York in cash without discount on signing bills of lading and to be irrevocably retained by party of the first part, vessel and/or cargo lost or not lost, voyage interrupted or not interrupted.
  4. Charterer agrees to load vessel to full draft allowed by underwriter's surveyors; failing which, he is to pay full freight as stipulated at the agreed rate for number of tons short-shipped, as shown by extra buoyancy. The master to sign bills of lading for the cargo, at current rates of freight, if required, without prejudice to this charter party. If the aggregate be below the total sums due under the charter, the difference shall be paid by the charterer or agent to the owner or agent at New York before the vessel clears.
  5. No merchandise, except from said party of the second part or his agent, shall be laden on board the vessel without written consent from said party of the second part or agent.
  6. Written notice of readiness shall be delivered at charterer's business address by 4 P.M. on the business day next preceding beginning of lay days. When such notice

has been so delivered, lay days shall commence at 7 A. M. on the following business day, and shall thereafter count continuously, except as hereinafter provided. Lay days shall not begin (except by consent of charterer or agent) before February 10, and should vessel not be tendered ready on or before February 29, 1920, charterer shall have option of performing or canceling this charter, declarable on date of actual tender.

Steamer to be properly tenderable when she is ready to proceed to loading berth, with all holds ready to receive cargo. Reasonable repairs, not delaying the receipt or stowage of cargo, may be effected as respects hull, engines, or equipment, while steamer is loading.

7. Lay days for loading and discharging shall be as follows: (20) twenty running days, Sundays and holidays excepted, reversible; lay days not used for loading shall be available for discharging. And for every day's detention (beyond the lay days prescribed), by fault or default of the charterer or his agent, demurrage shall be paid to the owner or agent at the rate of (\$2,000) two thousand dollars, United States gold, payable day by day, as it may accrue, to owner or agent (part days in proportion). Any delay caused by charterer's failure to make prompt settlement of freight shall count as demurrage at the rate agreed under this charter. If bills of lading not in accordance with the requirements of this charter party shall be tendered to the master for his signature, he shall refuse to sign said bills of lading, and any time lost as a result of the tender of such bills of lading shall be solely for charterer's account and shall count as demurrage time under this charter.
8. The vessel shall haul to such loading berth or berths (where she can safely get, always safely lie afloat, and cargo be promptly handled) as may be designated by the charterer or his agent; but if the vessel is ordered to haul from one loading berth to another the charterer shall pay



for the necessary towage and for all other expenses of every nature involved in such change of berth. Cargo to be delivered for loading, and received at discharge, within reach of ship's tackles.

9. Charterer shall designate stevedores, who shall load, stow, and discharge vessel under direction of the master. All loading and discharging expenses, port charges (including regular outward and inward towage and pilotage at ports of loading and discharge), wharfage, and harbor dues shall be borne by                   .<sup>1</sup> Lighterage, if any, at risk and expense of cargo. Dunnage now on board shall be at service of cargo free of charge. Stevedorage and wharfage rates, if payable by owners, shall not exceed those customary at the respective ports of loading and discharge.
10. If the cargo cannot be delivered, loaded, or discharged as a result of any strike or lockout, or stoppage of labor on the wharf occupied by, or lighters engaged in delivery to, or reception of cargo from the vessel; or as a result of any extraordinary occurrence beyond the control of charterer or receiver, which shall directly prevent the delivery and loading and/or discharging of the cargo, the days for loading and discharging shall not count, during the continuance of such strike, stoppage, or lockout, unless demurrage shall have already begun. A strike of the receiver's men only shall not exempt him from any demurrage for which he would be otherwise liable, under this charter, if by the use of due diligence he might have obtained other suitable service, labor, or lighters.
11. There shall not be shipped on the vessel any *extra-hazardous explosive* or other cargo which might jeopardize the ship's insurance or enhance the cost thereof. Vessel not accountable for leakage, breakage, internal damage, or damage from contact with other cargo; nor insufficiency

<sup>1</sup> According to the filling of this space the charter will be "gross" or "net."

- of packages; nor for injury to cargo arising from rust, corrosion, chafing, odors, or effluvia; nor from the dangers of the seas.
12. Owners to have a lien on the goods for freight, dead freight, demurrage, and damages for detention. Charterer remains responsible for dead freight and demurrage (including damages for detention) incurred at port of loading. With regard to freight and demurrage (including damages for detention) incurred at port of discharge, charterer also remains responsible, but only to the extent to which it has been impossible for owner to cover such claim by exercising the lien on the cargo.
  13. Vessel to be consigned to charterer's agent at port of discharge, such agent to be nominated to the owner previous to clearance of vessel. Owner to have the option of naming agent to attend to ship's business. Should vessel be damaged in loading or discharging this cargo, cost of repairs and lost time shall be at charterer's expense.
  14. The act of God, public enemies, restraint of rulers and princes, explosions, fire, floods, droughts, and all and every other dangers and accidents of the seas, rivers, and navigation, of whatsoever nature or kind, during said voyage always mutually excepted. Ship not accountable for any latent defect in machinery, equipment, or hull, not resulting from want of due diligence on the part of the owners of the ship or any of them, or of the ship's owner or manager.
  15. Owner is to be responsible only for loss of or damage to the goods, or for delay in delivery of the goods, or otherwise, in case same has been caused by want of due diligence on the part of the owner or his manager in making the steamer seaworthy and fitted for the voyage, or by improper or negligent stowage of the goods, or by the personal act or default of the owner or the manager; and the owner is responsible for no other cause of damage or delay whatsoever and howsoever caused, even if caused

by the neglect or default of the captain or crew, or some other person employed by the owner on board or ashore, for whose acts he would, but for this clause, be responsible.

16. It is also mutually agreed that this charter party shall be subject to all the terms and provisions of, and all the exemptions from liability contained in, the Act of Congress of the United States of America, approved on the 13th day of February, 1893, and entitled "An Act Relating to Navigation of Vessels, etc."; and bills of lading shall be issued in conformity with such act.
17. A commission of 5 per cent. upon the gross amount of this charter is due from the owner to John Doe & Co. upon signing of charter party.

To the true and faithful performance of all and every of the foregoing agreements, we, the said parties, do hereby bind ourselves, our heirs, executors, administrators, and assigns, and also the vessel's freight, tackle, and appurtenances, and the merchandise to be laden on board, each to the other, in the penal sum of the estimated freight under the within charter.

(Sgd) John Henry Ward

*Witness for* (Sgd) John Doe & Co.

(Sgd) H. Rokesmith

*Witness for* (Sgd) Richard Roe & Co.

We hereby certify that the foregoing is a true and correct copy of the original charter party on file in our office.

(Sgd) Robinson & Armstrong,  
*Brokers.*



## CHAPTER XXXV

### CHARTER PARTIES: BALTIC TIME FORM

**A** TIME charter is a contract in which the charterer hires the services of a ship for a given length of time, for service within certain limits, for a stated compensation. Such compensation, however stated, is, of course, based on the ship's capacity, speed, and fuel consumption. The customary method of calculation is by the dead-weight ton capacity per month.

If we take up the time charter form, paying attention to those points only wherein it differs from the gross form and net form charters (which we have already examined), we shall get the largest results with least effort.

The standard time charter form is known as the Baltic time form, or (in its full title) *the Baltic and White Sea Conference uniform time charter 1912*.

The preamble begins with a description of the steamer and a statement of the parties to the contract. It includes a much fuller description of the ship than need be used in either the net or gross form. Obviously, as the charterer has larger obligations, duties, and hazards, he will require fuller information and data on which to base his calculations. Hence we find the following details (not given in the gross and net forms): gross register; engine power; total dead-weight capacity; cubic capacity; permanent bunker capacity; speed; and fuel

consumption. These are warranties given by owner; in most instances approximate, as shown by the word "about"; but any serious deviation from them might give the charterer a chance of escape, in case the market went against him.

*Clause No. 1.* This provides for the *period of the charter* (instead of the *ports of the voyage*), for the *serving of notice* (even down to hours), for the *port* at which owner is to make *delivery* and the charterer to accept it. Also the owner's express guaranty of seaworthiness is included in this clause, as well as the exclusion of extra-hazardous cargo, which is specified in some detail. It is to be noted that none of these would be necessarily excluded by the term *lawful merchandise*.

In Clause No. 1 we have also the *trading limits* — that is, the mention of localities to which the charterer may and may not send the ship.

As the owner is paid according to the unit of time, and not according to the voyage, he has no interest in permitting ship to go where extra hazards may cause high rates; while the charterer will seek high freights, but has not an owner's interest in protecting the ship. Hence the trading limits are described in some detail; but, what is more important, excluded seas and ports are distinctly specified. By glancing over them it will be easy to see the reasons for exclusion. Three main avoidances have evidently governed the owner — ice risks, stormy coasts, and inland rivers — the last being nearly always more or less uncertain and dangerous to navigators, especially if the current is strong or the river of uncertain depths.

*Clauses Nos. 2 and 3.* The difference between the ship's expense account under the time form and under

the gross form is clearly pictured in these two clauses. If this were a gross form charter the ship would pay everything specified in Clause No. 2 and everything in Clause No. 3 except *weighing and tallying*. The warranty of the owner is also here given to maintain the ship in a state of efficiency for service during the charter period. The provision for *laying vessel off hire*, in case she becomes inefficient, occurs later in the charter.

It is well to note here a possible implication of Clause No. 3 which may be contrary to accepted practice on this side. In arriving at the dead-weight capacity (under the United States government form of time charter), the tonnage of fuel, provisions, and water for crew's use are included in that capacity, but the weight of water for boilers is not. In other words, the owner, and not the chartered owner, is to be charged with that part of weight capacity which is used for boiler water. Whether it would be so under this clause is a question. The apparent argument is in favor of the owner; the boiler water by this clause being classed with fuel, which is without any question at all carried at the chartered owner's expense. In the absence of custom or decisions to the contrary, a suit or arbitration on this clause would very likely go against the time charterer. Hence, when taking a ship on the Baltic Time Form of charter, Clause No. 3 might well be altered to conform to American practice.

*Clause No. 4.* This clause is to provide for an equitable settlement of fuel on board when the vessel changes hands. The arrangement is so obviously a just one that no comment is needed. There is further provision against the redelivery of the ship with no fuel at all, on the one hand; or, on the other, with such a quantity as



might tempt unscrupulous speculation at owner's expense.

*Clause No. 5.* The provision for arriving at the sum due for freight is clear. The owner may claim freight up to the full draft to which the ship may legally be loaded. The time-charterer will of course be insistent that ship's capacity be proved, before he makes final settlement. In case of the ship being light, the dead freight due is ascertained by measuring the surplus buoyancy and thus computing (according to the immersion scale) the number of additional tons that could have been laden. The owner's remedy for non-payment is also included under this clause.

Decisions regarding payment of time freights are numerous. The following are interesting and should be noted. In the absence of express agreement to the contrary:

- (a) Hire is payable at the end of each period specified, even though the charter provides for longer payment intervals and the ship be lost before the period expires.
- (b) It is payable during ship's detention by blockade, embargo, foul weather, or repairs.

Both are very old decisions. Of course, this simply means that the *law* does not protect the charterer in these respects. But all time charter forms used to-day do (or should) definitely locate these risks.

- (c) If the charterer is unable to use the ship on account of strike, he is not exempted from the payment of hire, provided the strike clause gives mutual exemption.

- (d) A ship partially disabled is not in an efficient state; hence hire cannot be collected for that part of the voyage during which full power was not available.
- (e) When hire ceases under the "24-hour" clause, the suspension starts at the beginning of the twenty-four hours. In other words, if a ship becomes inefficient at seven o'clock Friday morning, no suspension of hire (under the 24-hour clause) would result, unless the disability continued till seven o'clock Saturday morning. But at eight o'clock Saturday morning the deduction from hire would be based on twenty-five hours' disability.

*Clause No. 6.* This refers to cargo — as to loading and discharging, limitations of weight, treatment of heavy lifts, providing of steam crane.

Under the examination of the net form we have taken up the broad obligations and exemptions of the loading and discharging as they there apply.

The shipowner has less interest in them under the time form than under any other except the bare-boat charter. As the charter is not for a voyage, but for a fixed period of time, for every hour of which the charterer must pay, the owner is indifferent as to speed in despatch, being chiefly concerned that no merchandise be carried which will endanger the ship or imperil her insurance; and that the cargo be properly stowed to insure the desired draft, trim, and stability. Also that it be so stowed as to minimize the risk of damage, while in transit, for which the ship might be liable. In all these matters the shipowner depends on his agent, or,

failing that, upon his master, who remains his agent, unless the charter constitutes a demise or temporary transfer of title. As to whether the cargo is loaded in ten or in thirty days — that is nothing to the shipowner, so that hire is running.

As to provision for tackle, slings, etc., the shipowner has no knowledge of expected cargo under a time charter, and cannot be expected to take the risk of unusual expense or outlay. Only the charterer can really tell whether he intends to ship clothespins or crated elephants, and often he himself does not know. Since the hoisting appliances and tackle of the ship have certain well defined capacities, the necessity for anything beyond that is very properly placed on the charterer. The runners, ropes, and slings, which are apt to be used up in the service of one voyage, are also at cargo expense.

*Clause No. 7. Redelivery.* This is one of the vital clauses of the contract to both interests, since it provides for conditions under which the vessel passes back under full control of its owner, and hire ceases.

The exception *unless lost* would, of course, be understood anyway, in the absence of any provision that the hull shall be insured by the charterer. But again it is best to be explicit. But the provision *unless owner agrees to take redelivery earlier* seems a little superfluous. Of course, any contract can be modified or abrogated by the consent of all parties in interest.

The provision for extension of time and the compensation therefor is very necessary, since it is often inevitable that the ship will be behind time, owing to perils inherent in the business. Clearly, some definite protection to both parties is essential in this matter — on the one hand, that the charterer be not at the mercy



of an unconscionable owner in case of unavoidable delay; and, on the other, that the owner may not be the victim of tricky practice by which his ship is kept from him when his interest lies in prompt redelivery, as for instance when the market has advanced since the expiring charter was effected. For these reasons, the rate for overtime is fixed at the charter rate; always providing that charterer has not undertaken a voyage unwarranted by the balance of time left for the vessel to accomplish the voyage.

Should it appear that the ship had been deliberately engaged for business that must materially exceed the time remaining to the charterer, the owner might be allowed the market rate for the extension, if the market had advanced. If the market had declined the owner would probably not desire the market rate. In case of flagrant abuse of this clause, on a rising market (and one may be sure that ships will be redelivered pretty promptly on a falling one) damages for any proved resultant loss might be awarded to the owner.

*Ice-Free Port.* This is clearly necessary to protect the owner against losses that might be serious or even ruinous. A redelivery in a port of high latitude just previous to a heavy freeze might result in loss of a valuable succeeding charter, or in loss of the ship's revenue until the ice broke up — possibly a whole winter season.

*Sundays and Holidays Excluded.* The stipulation excluding Sundays and legal holidays for either delivery or for redelivery is to prevent the loss of an unusable day being placed, at the outset, upon the party accepting the steamer. The importance of this is not hard to realize to-day, when many a steamer is costing \$3,000 a day for hire alone.

The final paragraph of this clause makes very essential provisions for the custody of disputed funds held in escrow, pending arbitration.

*Clause No. 8.* This needs no special comment. The exemption of the shipowner from liability for cargo carried on deck is the usual one, and would be noted anyway in the signing of the bill of lading.

*Clause No. 9.* This is a good, broad clause with teeth in it, clearly placing the ultimate responsibility on the charterer for many risks, notably those incurred by signature of the bill of lading.

It is to be noted, however, that the clause contemplates the responsibility falling upon the owner, but gives him recourse against the charterer, who agrees to indemnify him. It would be, from the owner's point of view, very much safer to provide that bills of lading shall be signed by the time charterer in his own name, or that master shall sign as the latter's agent. Where this provision can be obtained it is more satisfactory from an owner's point of view — but a charterer will probably prefer this clause as it is.

Responsibility for shortage, etc., as in the last paragraph of this clause, might, as a matter of equity, stand against the charterer in the absence of any specific provision; but here, again, an explicit expression may save some waste of time and energy.

*Clause No. 10.* Since the interest of the charterer is to hurry the ship as much as possible (to save hire), the owner may, and often does, find the charterer working against the master because the latter, in caring for the ship, has been too cautious to suit the former. Often a justified refusal by the master to sacrifice safety to speed may gain him the ill will of his charterer, while

deserving the gratitude of his owner. So that the owner should be cautious in entertaining complaints against the master, if he has any reason to suppose the charterer is disappointed from such, or similar, causes.

On the other hand, the charterer's profit-and-loss account is so dependent upon a capable master that he cannot afford to overlook incompetence, inefficiency, or even habitual slowness. A readiness on each side to realize the position of the other will make this clause work smoothly.

*Clause No. 11.* These provisions are so clearly in the interest of all concerned as to call for no special comment.

*Clause No. 12.* This is a vitally important clause for the charterer. It protects him from exaction of hire whenever the ship shall not be in condition to carry out continuously her part of the contract. Note, *first*, that the provision does not read, "In the event of breakdown of machinery," etc., but "In the event of loss of time from" (various causes) the charterer may lay ship off hire. This is equitable. In case the owner should avail of loading or discharging time to repair engines, or should reduce the crew, or delay order for stores until about the sailing date, there would be a technical deficiency, without damage to the charterer. The clause is very carefully drawn to avoid such abuse of a necessary stipulation. The provision that, in case of loss of time lasting more than twenty-four hours, hire shall cease from the beginning of the period, is in accordance with judicial decision on an old form of clause.

Note next that care is taken to protect the owner against claims for time lost from the ordinary delays of navigation (which of course equitably belong to the



charterer), or from delays arising from accident to the cargo. Time lost in making repairs is, of course, for the shipowner to make good.

The "24-hour" provision is inserted to prevent a host of trivial claims by ephemeral charterers of pin-hook-fishing proclivities — of which there is a large annual crop nowadays. The same principle prompts underwriters to place a minimum limit in damage claims.

In case of loss of time resulting in loss of hire, the time so lost is generally deducted from the charter period, and does not lead to a corresponding extension of the redelivery date. For instance, if the redelivery date were January 15, 1920, and the steamer off hire ten days, the redelivery date would remain at January 15. It would not be moved forward to January 25.

This is now the general practice. It cannot be said to be universal, and there is room for dispute on the point. The question would seem to warrant more explicit provision.

Of course, the nub of the matter is that the owner would want the lost time to act as an extension in case the freight market had declined, while the charterer would probably wish to extend only in case the market had remained firm or advanced.

A provision that the *charterer* should have the option of extension of time or deduction of hire, but that *same must be declared in notice leaving the steamer off hire*, would seem to be as near an equitable arrangement as the conditions permit.

*Clause No. 13* is self-explanatory and self-justified.

*Clause No. 14.* Here is the negligence clause that abideth ever with us and fadeth not away: exempting for all causes, from the act of God to our old friend

latent defects. It will not be necessary to go into these. The clause is not intended to exempt the ship from suspension of hire. Of course, when the ship is disabled by any cause whatever, she can be laid off hire. The exceptions and exemptions, here as in other charters, are meant only to disclaim liability on behalf of the ship-owner. It is enough to say that the courts would sustain part of them — which and how large a part would depend on the particular circumstances.

Liberty to tow and deviate are subject, as usual, to reasonable interpretation.

*Clause No. 15.* This is to insure the necessary funds for the ship, if required; for example, if the ship should be in a port where the owner had no agent, or if the owner should need the money. The charterer's disclaimer of responsibility is obviously prudent, as the owner appoints the master.

*Clause No. 16.* This list of excluded ports should be constantly before any time charterer when he is planning his voyages. Restrictions like this are clearly due to the owner, and it would be difficult to imagine an owner waiving any of these exclusions unless he was badly pushed for a charter. The last provision puts, in the last resort, the protection of the ship where it belongs — in the hands of the captain. It prevents the charterer from loading the ship in a dangerous place, on the ground that the time is for his account and not the ship's.

*Clauses Nos. 17 and 18.* These two clauses again are clear enough and necessary enough to require no special attention from us at this time.

*Clause No. 19. Overtime.* As all expenses, save those of maintenance and operation, are borne by the

charterer, this can only refer to overtime incurred by owner's employees, as, for instance, officers or crew, for the hurrying of the ship at charterer's request. One can understand that if the time charterer had made a profitable sub-charter, the canceling date of which was imminent, it might very well pay him to induce the officers and crew to work overtime so that he might make his date. Ordinarily, also, when the stevedores are working, the winchman must be on hand. These provisions might and probably would be established at arbitration or by court proceedings were the clause omitted, they are so clearly in accordance with the spirit of a time charter. But again, a clear provision is a protection to reasonable men, and an obstacle to those who are otherwise.

The same remark would cover and account for *Clause No. 20*.

*Clause No. 21.* When it is remembered that the owner of the cargo has often no interest in the time charter and no knowledge of the owner, it will be readily perceived that this is a provision of the first importance. That it is necessary and just for the protection of the shipowner cannot be denied, since otherwise he would be deprived of the carrier's natural protection if the time charterer had no property on the ship and had collected his freight in advance of due date for payment of hire.

All freighting is arranged upon the basic assumption that the carrier shall have a lien upon the merchandise for his freight and charges; and only under exceptional circumstances is this waived. But there is a chance in this clause of a very grave loss to innocent ship- or cargo-owners, should an unscrupulous charterer make away with the freight money and then default on the



charter hire. The lesson to be drawn is that in freight-ing or in shipping, as in other trades, the injunction, "Let the buyer beware," must be applied. Especially in these times, the irresponsible novice should be avoided, lest, with the best of intentions, he put his customers in a bad place.

*Clause 22.* The division of salvage is here simply and equitably arranged.

According to precedent, salvage goes to the party that holds the title to the ship at the time salvage service is performed. In other words, in the absence of special agreement, the owner is entitled to any salvage earned unless the charter is a demise. If the charter is a demise the charterer would get the salvage, unless the contract provides otherwise. Under modern rulings, however, a charter is not a demise unless it states that the owner has *leased and demised*, or its legal equivalent. To construe a charter as a demise is contrary to the present trend of decisions. The clause under consideration is obviously a calculated compromise of the particular point in question. Of course, of the deductions from salvage specially provided for, the repairs, etc., would be allowed to the owner, and the time and fuel to the charterers.

The next clause requiring notice is the tendering and canceling clause.

*Clause No. 26.* The very marked difference between this clause and the one corresponding in the voyage form (gross or net) will be noted.

Here the charterers must decide whether to cancel or not within forty-eight hours after receiving notice, instead of making the ship tender and then deciding. This is, of course, a great advantage to the ship. The

provision that the default must arise through unforeseen circumstances is to protect the charterer against the abuse of this privilege by the owner.

*Clause No. 27.* The arbitration clause is becoming almost universal, generally to the benefit of both parties. Still, there do arise cases where law proceedings are, for one or the other, to be preferred. The tendency of arbitrators is usually toward compromise. It is a rare decision that wholly pleases either party.

Generally, when either disputant prefers law to arbitration, it means that the precedents are on his side and he distrusts the tendency to "give something to each" which mars so many arbitration results.

Where an option is given, New York arbitration should be preferred to London. The results of arbitration under the rules of the New York Produce Exchange are of the best character; the arbitrators all being regarded as judges, not as advocates, and aiming at a high level of impartiality. In London, on the other hand, two "arbitrators" are merely advocates, and only the umpire seems to act in a judicial capacity. The result, therefore, depends too much on the personal element, and is apt to be unsatisfactory to the foreigner.

Continental arbitration should be avoided in all cases.

## CHAPTER XXXVI

### CHARTER PARTIES: GOVERNMENT TIME FORM

WE have chosen the Baltic Time form for our basis, for two reasons: first, because it is more complete than any other standard form of time charter; and, second, because it seems to be arranged in clear, logical sequence, and hence is convenient for analysis.

It will be well, however, to examine parts of the United States government time form, which is a good charter, and is more in use on this side than the Baltic form. Certain differences seem worthy of note. (See Appendix G.)

The first material difference is that, while the Baltic charter reads for an exact term of hire, the American form names an approximate period only; as evidenced by the use of the word "about" in limiting the time (compare Clause 1, Baltic form). In clause five we again find reference to the term in these words: "for the last half month, or part of same, the approximate amount of hire; *and should same not cover the actual time, hire is to be paid for the balance day by day.*"

Here again is a direct reference to the charter period as approximate only, with direct provision for settlement of hire on the time overlap. This is the only indication in the charter as to the terms of settlement in case the time runs over the period indicated. Probably it would be sufficient to entitle the charterer to a settle-



ment at the rate named for the charter period, if the excess of time used were reasonable; but in clarity and decisiveness it is distinctly inferior to Clause 7 of the Baltic form.

In the American form provisions as to the period of hire, rate of hire, trading limits, terms of payment, place of delivery, and place of redelivery are widely separated.

A natural grouping would seem to require a section that would assemble these salient points in a form more convenient for reference, in a leading clause running (say) like this:

*Witnesseth* that said owner agrees to let, and said charterer agrees to hire the said steamer for about

*12 months*

said charterer paying to said owner, for the use and hire of said vessel

*Seven dollars per dead-weight ton* of capacity per month, commencing on and from the day of delivery at *New York* and at the same rate for any part of a month. Said hire to continue until the day and hour of her redelivery to the owner in like good order and condition, ordinary wear and tear excepted.

Such redelivery to be at the port of *New York*. Time not to begin before April first, unless by consent of charterer, and should steamer not be ready for delivery on or before April 20 charterer (or agent) to have the option of canceling this charter, not later than the day of steamer's readiness.

Here we have the following information bunched in one clause instead of having to zigzag all over an acre of fine print for it:

Charter period

Charter rate

Tendering and canceling dates  
When hire begins  
When hire ends  
Where ship is to be delivered  
Where ship is to be redelivered

For ready reference this would seem a better grouping. It is intended as a suggestion for arrangement only, and not for wording.

It will be observed that the provision for canceling in *Clause No. 14* is much less liberal to the ship than in *Clause No. 26* of the Baltic form. The difference lies just here. Under the last-named clause, if a ship proceeding from Boston to Newport News, to make a canceling date two or three days away, got into collision and had to dock for repairs, the owners would notify the charterer why ship could not make her date, and the probable date that she could make. The charterer would then have to declare within forty-eight hours whether he would accept the steamer when tendered, or elect to cancel.

But, under the American form, the owner would have to make repairs, proceed to Newport News, and tender. When the steamer was tendered, then, and then only, the charterer would have to accept or reject.

Plainly, the American clause is more favorable for the charterer, while the Baltic form is very much the better for the owner.

The clause for redelivery is certainly entitled to a front seat, instead of being tucked away in the south end of a clause in which one would not naturally look for it. (*See Clause 4.*)

One might run over this charter several times and

miss the redelivery each time. The place of redelivery ought to be prominent.

There seems no reason why the trading limits should not be placed in a numbered clause following the words "*on the following conditions.*"

Compare *Clause No. 2* of the government form with *Clause No. 3* of the Baltic form. The absence of any mention of boiler water is noteworthy. Under the American form, boiler water is paid for by the charterer, and carried at the expense of the owner; that is, the lift needed for it is not included in the dead weight for which the charterer pays hire unless the ship has a water evaporator which the charterer prefers not to use.

Hence, if a ship had 10,500 tons total capacity and carried 200 tons of boiler water, the charterer would pay on only 10,300 tons — a saving worth while at \$7 a ton each month. But if the charterer, because of the value of coal, refused to use the ship's evaporator, cost and hire on water would be for his account. The provisions regarding gear, heavy lifts, etc., which are in *Clause No. 6* of the Baltic form, are in *Clause 22* of the government form.

Notable omissions of the American form are the speed and consumption. These are vital considerations in the charter, nor can the rate and conditions of any time charter be properly judged without making them a leading factor in the calculation. If, then, an agent should put through a charter by misrepresenting the ship's speed or fuel, or both, there would seem no redress for the charterer under the American form. Under the Baltic form these warranties of the owner are accorded a prominent place.

To balance this, there is a desirable clause for the



charterer in the American form which is not covered in the Baltic form, except under the general guaranty to keep the ship efficient. This is the provision for dry-docking in *Clause No. 21*. As any growth on the underbody of the ship reduces speed (thus increasing hire) or calls for more fuel to produce the same speed (thus increasing expense), the charterer is clearly entitled to a voice in this matter. Careful shipowners will dry-dock their ships twice a year. This clause is a distinct advantage in the American form, and seems only fair.

In *Clause No. 8* the provision by which the charterer has the benefit of outstanding club insurance will be noted as a consideration of some value.

The supercargo clause (*No. 10*) is also worth noticing, although not of great importance. Supercargoes can generally be taken care of in some fashion, anyway.

*Clause No. 11* is merely the usual provision for supplying the charterer with official information as to the vessel's performance; and to enable him in some degree to check up his expenses. Stealing bunkers is said to be a favorite indoor sport of time-chartered officers. A little collusion between the master and his engineer, and a little doctoring of the engine-room log, and the charterer will never know what hurt him, providing these things are done judiciously. And they usually are.

*Clause No. 19*. Here is the negligence clause again, and in not very different phrase from that used in the Baltic form. The thing to be noted is that here, in a government charter, is a provision in seeming contradiction to the Act of Congress referred to in *Clause No. 24*. Such clauses are of course intended to exempt the owner from his obligation to provide a seaworthy

ship, or to release him from responsibility in case damage should result from his failure so to do, in case judicial decision should permit.

*Clause No. 20* suggests the matter of water for crew and boilers again by the mention of coal used for condensation. It has been asked why steamers do not usually distil fresh water from sea water, in place of using dead-weight capacity to carry boiler and crew water. The answer is that, since it takes approximately one ton of coal to make one ton of distilled water, there is little or no saving in dead-weight; nor, at the present cost of coal and rates of freight, would it pay to bother with distillation.

Under different conditions a different result might be shown.

*Clause No. 25.* The purpose of stipulating that the charter shall not be construed as a demise will be readily appreciated from what has already been said of the effect of a demise in increasing the charterer's liabilities.

We do not find any clause covering dangerous and inflammable cargo; and there is no efficient ice clause. This form would make a poor charter for the owner if the ship were trading to the Baltic in the winter season.

The references to ice in the Baltic form are rather casual, though probably sufficient for the purposes of the particular form. But, to realize the vital importance of this matter to Baltic traders, one should read the following ice clause of the Uniform General Charter:

GENERAL ICE CLAUSE; PORT OF LOADING

- (a) In the event of the loading port being inaccessible by reason of ice, when steamer is ready to proceed from her last port, or on steamer's arrival, or in case frost sets in after

steamer's arrival, the captain for fear of being frozen in is at liberty to leave without cargo, and this charter is to be null and void.

- (b) If during loading the captain, for fear of steamer being frozen in, deems it advisable to leave, he is to have liberty to do so with what cargo he has on board and to proceed to any port or ports with option of completing cargo for owner's benefit for any port or ports, including port of discharge. Any part cargo thus loaded under this charter to be forwarded to destination at steamer's expense, but against payment of freight, provided that no extra expenses be thereby caused to the receivers, freight being paid on quantity delivered (in proportion if lump sum), all other conditions as per charter.
- (c) In case of more than one loading port, and if one or more of the ports are closed by ice, the captain or owners are at liberty to declare the charter or charters null and void, provided no cargo on board, or in their option to load at a port or ports still open, all the foregoing conditions and provisions of the ice clause in steamer's favor to apply.
- (d) This ice clause not to apply in the spring.

#### PORT OF DISCHARGE

Should ice (except in the spring) prevent steamer from reaching port of discharge, receivers shall have the option of keeping steamer waiting until the reopening of navigation and paying demurrage; or of ordering (such orders to be given within forty-eight hours after captain, or owners, have given telegraphic information to charterers of the impossibility of reaching port of destination) the steamer to a safe and immediately accessible port where she can safely discharge without risk of detention by ice.

On delivery of the cargo at such port, all conditions of the bill of lading shall apply, and steamer shall receive the same freight as if she had discharged at the original port of destination, except that if the distance of the sub-



stituted port exceeds 100 nautical miles the freight on the cargo delivered at the substituted port shall be increased by  $1\frac{1}{2}d$  per ton net register for every 50 miles or part of 50 miles above the said 100 miles.

Ever since the time of Peter the Great, Russian diplomacy has been steered by considerations relating to this same matter. Had the Baltic ports been ice-free, Constantinople (for instance) could not have played the part that it has in the politics of Europe. But for most of the last century Russia was knocking at the door of the Dardanelles, that she might have a warm-water outlet for her fleets and commerce; and England was opposing Russia's ambition, lest the route to India be threatened. Thus was greatly accentuated the Balkan problem, which was so large a factor in bringing on the late universal disaster.

A proper indemnity clause as to signing bills of lading would do this form no harm.

*Clause No. 27.* The address commission simply amounts to a discount on the gross freight, and has, of course, nothing to do with the chartering commission. The whole commission game is becoming greatly overdone. If we could return to the old conservative way of making a straight commission for effecting the business, and dividing it three ways, it would be a great gain. The entry of a great number of "shipping men," so newly fledged that they are not yet dry under the wings, has had an unfortunate effect on this particular matter. The true broker is one who has a connection and acquaintance among owners and charterers, and who receives a well earned commission for hunting up the ship, and then hunting up the trade, and then bringing them together. But in the topsyturvydom of war,

if A, a real estate dealer, knew a stock broker who had an interest in an unchartered ship, A went to B, a coal dealer, who knew C, a drygoods man, who, being introduced to E, an insurance man, was by him taken to F, a lawyer, who chartered the ship for him to G, a speculative client; and so, for the purposes of that transaction, the coal, the drygoods, and the insurance men, the speculator, and the lawyer were all "in shipping," and all wanted a piece of the commission.

The only people who had any real business in the game at all were H, who took the charter off G's hands (generally at a profit), and I, J, and K, humble, hard-working freight brokers, who went out in the market and got H the freight to fill his ship. The writer has recently seen a charter proffered with nine commissions attached. It is surprising that the real brokers have not taken more efficient steps to protect themselves and the public against competition of this kind. Many of these untrained men are no more competent to draw a charter than they are to calculate the next transit of Venus. Some of them have been picked before they were ripe, and others after they were rotten.

In the time charter it is particularly desirable that only trained men should take part in the negotiation, for such a contract is worthy of the intense study of trained minds. To-day, with rates at \$6 or more a ton a month, a year's time charter of a 10,000-ton ship involves a fortune for hire alone; to say nothing of fuel, port charges, loading and discharging expenses, and the thousand and one items of a ship's account book. This is no sort of contract to draw under inexperienced advice. One might as well take on a shoemaker for a house architect.

In drawing up a time charter, it is especially true that each clause should be thoughtfully examined by both parties, for its bearing on the particular circumstances of the time and the special conditions surrounding the bargain about to be made — from the season of the year to the suitability of the ship or the financial responsibility of the charterer and owner respectively.

Hence it is more than usually necessary to remember that there is no sanctity in any printed provision. It is almost literally true that there is no stipulation in the whole form, from the preamble to the commission, that may not require to be changed. It is no uncommon thing to see a charter based on this form altered until more than half the vital clauses are erased or changed, and with six or eight long clauses added that are not even hinted at in the form itself. And yet, these time forms are very long and full, and the Baltic form is the basis of most of the foreign business in time charters.

Of course, in any charter where ship is intended to trade to United States ports, the Harter Act clause should be inserted.

An excellent clause to include in time charters where strikes are mutually excepted is one providing that time lost by strikes and lockouts shall be for account of charterer. This is the legal effect of the mutual exemption in this form of charter, but there is no harm in being explicit.

It is common to exclude full cargoes of timber from the North Atlantic in winter and coal from India from March to June inclusive.



## CHAPTER XXXVII

### CHARTER PARTIES: USE OF TIME CHARTER — MASTER'S POWERS

**T**HE duties and powers of a master vary so widely with circumstances that it will not be practicable to attempt anything like a full examination of them here. But it may be well to call attention to some of the peculiarities of his position in addition to those already named, both in his general relation to ship and cargo, and to the time charterer especially.

To begin with, a master who is part owner is not exempted in his capacity as owner by the negligence clause, but only in his capacity as master. His liability as owner remains.

If a drunken or incompetent master is employed or retained in service, the shipowner may be held liable in spite of any negligence clause.

A master may bind his owner to a charter only:

- (a) when he is expressly authorized;
- (b) when he is in a foreign port, and free and quick communication with his owner is not possible.

A master cannot make his owner responsible for merchandise not shipped, even though he sign a bill of lading therefor. Any bill of lading considered as a receipt is open to attack by parole or other evidence.

When the master has exercised his discretionary pow-

ers the owner will not be held liable for results, unless breach of duty be proved against his captain.

In the absence of means of communication with the owner of cargo, the master has not only the right, but the duty, to sell the cargo, if that seems clearly the wisest course to pursue.

The master may reasonably deviate to avoid a menace to either ship or cargo, or both; he may delay to ascertain the nature and extent of a threatened peril; he may delay to consult his owner, if that be possible.

But if the master delay or deviate unreasonably, the cargo-owner may have a right to refuse payment of freight, or to recover damages, or both.

It is the master's duty to take all reasonable care of the goods intrusted to him. But, in incurring expense for this purpose, the relation of such expense to the ultimate value of the cargo must be considered.

It will be perceived that the dual rôle of the master as representing both the owner and the charterer is intensified under the conditions created by the time charter.

In addition to the very broad powers with which he is necessarily clothed, and which, when out of quick touch with his owners, are nearly those of the owner himself; and in addition to his duty to provide, in behalf of the owner, all such supplies as are necessary for the operation of the ship; and besides his duty to protect, care for, and in some cases recondition or sell the cargo; he is also the agent of the time charterer for obtaining fuel and any other necessities; making such disbursements as are, by the charter terms, at the cost of the time charterer; and in general to protect the charterer, as well as the owner and the shipper.

As under some circumstances the master may have

to choose between two of these three interests, his position is often a delicate one, and may, if he be dishonest, be made the source of a good deal of crooked income. A perfectly proper and intelligible custom exists by which time charterers give bonuses or gratuities for successful voyages to shipmasters. At the root of this lies an honest desire to create a friendly feeling toward them in a man who has much power to protect or injure them. It is not hard to see how such a custom might be abused by unscrupulous merchants.

The most obvious point at which the owner's and charterer's interests may conflict is when there is a question between speed and safety. As the charterer's expense is in exact proportion to the time used, his interest is in the greatest possible speed under all conditions — storm, fog, or headwind. But, as the owner is paid so much for his time, no matter whether the vessel is in or out of port, steaming, or at anchor (always providing she is seaworthy), his interest is clearly all on the side of caution and prudence.

It is no flight of imagination to assume that, in the case of disagreeable, miserly, or unreasonable time charterers, the master would be apt to take an extremely prudent view as to the speed the ship could stand without straining; or as to the dangers from fog, ice, or other menaces to the vessel's safety. The fact that he would thus protect both his owners and his certificate would here combine with the knowledge that he was mulcting the charterer, to make his point of view fixed and inflexible.

The time charterer should undoubtedly insure cordial relations with his captains, and there can be no objection to aiding this by liberality, as long as he asks



only fair treatment and does not seek to seduce a master from his loyalty to his owner or underwriters. This sounds like a truism — and it is. Nevertheless, it needs saying.

The time charter is a form that places great responsibilities on the charterer, and hence it requires considerable experience to handle it successfully. Excepting the bare-boat form, it is the most dangerous of all for the novice.

This form of contract applies to a wide range of business. The most obvious and simple use is for bald speculation. Persons who think there should be a profit in current prices for time charters may hire ships simply for the purpose of rechartering, leaving the risks of operation to sub-charterers. A great deal of this has been done since the war closed. Again, people who want to make a tryout of the shipping business (and are desirous of exchanging money for experience) may hire ships and employ shipping men to handle them in the most lucrative way. As a general thing these people get experience, at the very least; whether they get anything else depends first on the market and second on their choice of agents.

To firms controlling large quantities of cargo for shipment over extended periods; to care for the business of lines whose traffic has outgrown their tonnage, and who need a stop-gap while new ships are building; as a hedge for freight contracted for months or even years in advance; the time charter offers a method of promptly supplying pressing needs, or reducing the risks on future business.

And such a method is urgently needed under modern conditions, where the minimizing of speculative risks

is so important a factor. No more hopeless situation exists than a mountain of freight eating its head off with storage and insurance while it awaits tonnage — unless it be a monster ship with an empty hold, eating up its charterer with demurrage while it waits for cargo. It is certain that the increased use of this form of contract has materially reduced the hazards of many lines of business. For one thing, it has largely displaced the practice of “guaranteeing futures,” a method much in vogue some years ago. By that method, persons who made a study of tonnage markets would give a prospective shipper a “guaranty” to supply a ship or ships of a certain size and class for “December loading” (or whatever the month might be), from a given range of loading ports to a given range of discharging ports, at a given rate. This style of contract was very common for a number of years; but the inherent hazards of the business (both those that are obvious on the surface and those that developed in the working) proved so great that the practice gradually faded away, and has now virtually disappeared.

It was largely replaced by a business quite as speculative, by which firms with established routes contracted for freights for long future periods, basing freight rates upon their own forecast of the market. This method received a blow in August, 1914, when time rates started a skyrocket advance, advancing continuously from four shillings and six-pence a ton a month until by the summer of 1917 they touched fifty-five shillings. The position of the shorts in tonnage long before the top was reached became utterly impossible. Shippers who held the low contracts simply had to consent to sharing the operators' losses, with the alternative of getting noth-

ing. In other words, it was compromise or fail for the operators.

In the general opinion, the operators had no reason to be ashamed of demanding compromise, since the contracts were interrupted by an almost world-wide *force majeure*, and were no more enforceable in such a calamity than a rain-check on the Day of Judgment. Whatever the legal interpretation might have been, the trade felt that the operators were morally absolved for their default.

The future of this class of business is still to be determined. It is probable that the risks which led to such crushing losses in 1914 will be reduced by a free use of the time and bare-boat forms of charter. It is reported that, not long since, one operator has time-chartered several large steamers for ten years at 15/- a ton a month.<sup>1</sup> Should sterling remain as at present (say \$4.00 to £), that would mean \$36.00 a ton a year, or \$360.00 a ton for the ten years. If sterling goes back to \$4.80, where it belongs, the hire would be \$43.20 a dead-weight ton a year, or \$432 a dead-weight ton for the ten years. As ships can now be contracted for building at \$165 a ton, the mathematics of such a transaction are not clear.

We can only say that it is important if true. It would be interesting to figure out comparative results on the basis of hire and ownership at these prices.

The legal complications arising out of time charters when things go askew (as they sometimes will) are appalling to any one but an admiralty lawyer: which brings us to some consideration of that important person.

<sup>1</sup> October, 1919.



The disadvantage an admiralty lawyer labors under is that the traditional tendency to delay, of which the legal mind seems so tolerant, and which no doubt is of great benefit to lawyers as a class, won't do in admiralty. The reason is that delay is apt to "bust" the client, and how can a "busted" client pay his lawyer? unless, indeed, the latter takes a leaf out of the book of the shipowner of these parlous times, and gets all his fee in the form of a retainer. Perhaps this is the reason (or one reason) why trained shipping men prefer to study out their own problems (unless the questions are so technical in their bearings as to be perilous), and go to a lawyer only when they feel a really legal question to be involved. A good rule for the business is to select the best admiralty lawyer available, and then employ him as little as possible. But when you need him, you are going to need him right away, and you don't want him to educate himself by experimenting with your business. Ergo — don't employ a criminal, patent, or divorce lawyer to do your shipping business. While he is learning to differentiate the quarter-deck from the quarter's rent, or breach of charter from breach of promise, you may have to put up the shutters. The legal end of the game requires highly trained specialists quite as much as the traffic or operating departments.

## CHAPTER XXXVIII

### CHARTER PARTIES: FAULTS AND AMBIGUITIES

**T**HE impossibility of constructing any charter form that will be dispute-proof, within the limits of a commercial contract, will be easily understood. Such a document cannot, of course, be made fool-proof. In fact, it is difficult to imagine any business in which stupidity or plain ignorance can work more devastation—unless it be a powder magazine. There is a story current of an alleged freight broker who worked two days for a cargo from “a safe port on the northeast coast of Bolivia” to French Atlantic; the point, of course, being that Bolivia has no seacoast. The story is not vouched for, but after the experience of the last four years no one need consider it impossible.

The following, however, is vouched for by an old shipping man. He met an acquaintance,—a “broker,”—who was much excited over an offer of \$10 a ton for coal to Cheyenne.

When asked if he knew where Cheyenne was, he replied: “I don’t give a d—n where it is: ten dollars on coal is a good rate anywhere.”

In spite of the best intentions and the most careful drafting, charter parties will be, or by change of conditions will become, ambiguous. It is also quite possible that private forms may be made ambiguous purposely. One recent charter form made a bold attempt to relieve the owner from warranty of seaworthiness by

stating that the vessel was "*believed to be* tight, staunch, strong, and well-fitted," instead of saying that "vessel shall be," etc. This is a direct evasion of the Harter Act, and was, of course, thrown out when the test came.

Apart from ambiguities caused by intention or by ignorance, there are those caused by carelessness, and they are apt to be in the majority. In one very flagrant case of carelessness, a charter was effected on berth terms for grain, but through stupidity was made out and signed on a "Cork for order form." Berth term contracts provide for loading and discharge as fast as a ship can work in regular hours, and subject to the custom of the port. "Cork for order" forms provide for a certain scale of days for discharge, based on capacity of ship. The vessel was loaded according to berth terms, the owner's agent agreeing to settlement on that basis. When the accounts were received the owner started suit in New York for four days' demurrage.

The owner's agent was willing to testify (in the charterer's behalf) that the purpose had been to make a berth terms charter, and that it was for that reason that he had made settlement on that basis with the charterer. Neither the owner's agent nor the charterer, however, was allowed to testify as to intent, on the ground that "the charter speaks for itself." The owner won.

It should never be forgotten in signing a charter that, once signed, "the charter speaks for itself." One can forget all that has been said before it was signed, for, if the matter ever comes before a court, the written contract will be all there is to it, if the written contract is clear. And very properly so; for if every provision of



a clearly written contract were subject to attack by bold assertion or parole evidence, there would be no end to quarrels and litigation.

There are also situations that seem so ambiguous by inherent vice that no human foresight can anticipate them.

Take a thoroughly unusual general condition (say a war, with all its dislocations and uncertainties), put a clumsy ship in the hands of a stupid master, for loading by inexperienced or tricky charterers, with interrupted cabled communication and slow mails, and you have a combination to provide against which would test the wisdom of Solomon.

Some time ago an American ship loaded a mixed cargo at Rio. Being an old-fashioned sailer which could not stand without stiffening, the following provision was inserted in the charter:

Stiffening at loading port shall be furnished by charterer, when and where required by master.

The vessel arrived at Rio with a cargo of coal, and required approximately 375 tons of weight at all times; so that the discharge of the coal could not be absolutely completed until, say, 375 tons of stiffening should be supplied. Hence the fulfilment of the provision above quoted was required by the owner.

The ship had started discharge of coal on May 6, and the master called for stiffening on the 7th. On May 10 and 11, 200 tons of stiffening were put in. On May 12, 13, 14, and 15, the vessel was idle, waiting for stiffening.

On May 14 the master notified the charterer that lay days would begin to count on May 15, the fact that the ship was not clear of coal being due to the charterer's

default in the matter of stiffening. The owner declined to accept notice, on the ground that the ship was not wholly discharged; the master repeated his demand for stiffening.

On May 16 further stiffening arrived; but, owing to all these delays, the ship was not ready to load outward cargo until May 21.

From these conditions arose a dispute. The charterer claimed that lay days could count only from the vessel's actual readiness, under a clause in charter reading:

Lay days to begin at 7 A.M. on day following notice of readiness.

Charterer admitted receipt of notice of readiness, but claimed that ship was not actually ready. Owner admitted that ship was not ready on May 15, but claimed that unreadiness between then and May 21 was due to default of charterer. He argued that charterer could not plead the effect of a default on his own part as an excuse for declining tender.

Charterer presented a certificate signed by the master of the ship, stating that only five days had been used in loading.

Owner showed that after May 15 (when, as he claimed, lay days did actually begin) the ship in fact had lain waiting for cargo (including stiffening) for fourteen days. The master was put on the stand, and swore to the owner's statements of fact, based on ship's log, but said that he could not explain why he signed the five-day certificate.

Based on this testimony and the log, the owners contended:

1. That the obligation to provide stiffening "when

and where required " was as binding as any other stipulation of the charter. 2. That observance of this obligation would have made the ship fully available by May 15, and that failure to fulfil it resulted in a detention in the loading port of fully six days, being the interval between May 15 and 21, and claimed \$4200 demurrage due.

By the record of the ship, it appeared that after discharge of coal was completed on May 18 the ship was washed and made ready in two days, May 19 and 20. Owner claimed that a prompt supply of stiffening would have enabled the ship to complete discharge on the 12th, and that the ship could have been washed down on the 13th and 14th. He protested against charterer being allowed to use one default to justify another. He further pointed out that the master had been deliberately led into a misstatement of fact (regarding days used at Rio) which was to the owner's detriment. He claimed that the facts established must be considered superior to any misstatement even though made by his agent, the master. That, in signing any documents to fix lay days in disregard of charter, the master was acting *ultra vires*, and his action was null and void. That in matters of discretion the master's powers are necessarily of the broadest character; but as to matters of proved fact, and in matters definitely covered by charter provisions, he cannot alter them by any document issued under his general powers as master; especially in matters that have nothing to do with the navigation of the ship or protecting her from injury. That if the master be able at will to override both charter and facts, every owner must be at the complete mercy of error, ignorance, incompetence, or actual venality in matters supposed to



be placed beyond the realm of dispute when the charter is signed.

The case finally narrowed down to the matter of the master's certificate, which read "five days used for loading at Rio," which was the backbone of the charterer's case — the facts being finally proved and admitted.

The decision was in favor of the owner's claim for demurrage.

It may be assumed that the arbiters, in deciding this case, conceded the owner's contention that, as against the facts as proved, even the master's signature could not stand. It has been held that even a bill of lading cannot be enforced against the owner, where it is proved that the goods were never placed in the ship's custody. And, to the lay mind of an arbiter, the despotic fact is apt to overcome all "juridical niceties."

Whether the charterer's agent procured the certificate by improper means, or not, was never decided, the owner confining his efforts to proving that, however obtained, the certificate was incorrect. It ought to be said, also, that the master had not received his copy of the charter party when he signed the certificate, owing to very slow delivery of mails, and although the document had been due to reach him weeks before. But he had been fully and correctly instructed by cable.

The point of the case is this: Had the charter provided a suitable penalty for the charterer's failure to supply stiffening, most of the trouble would have been avoided.

Strictly speaking, however, the claim should not have been made for demurrage; since demurrage could not begin until the lay days had expired, and lay days could not begin until ship was ready.

A claim for "damages for detention" would have been more in accord with the conditions; and, while the damages must have been based upon the demurrage shown in the charter, they might have run much higher could the owner have proved greater damage — as, for instance, if the default in stiffening had caused the ship to lose her next charter. In that case, the charterer no doubt would have claimed that the demurrage named was the limit of damages — and perhaps have won, perhaps not.

An owner should be careful, in chartering, either to familiarize himself with the local law at the port of loading and discharge, or to employ a broker who specializes in the proposed business. In a case where a vessel carried a cargo of lumber to Italy, and was made a storehouse of for ninety days at the convenience of consignees, no demurrage was collectable, because the cesser clause protected the charterer; and the Italian law does not permit a lien on cargo for demurrage to be enforced. Where agents know their business, special provision is always made for collecting demurrage on Italian charters.

A provision to "load or discharge according to the custom of the port" is a most unsatisfactory and risky arrangement for the ship. As a matter of fact, in these times, when tonnage is in such demand, any owner or broker who knows his business will provide for lay days to begin with arrival at or off port, and a definite time or definite rate for loading or discharge, as the case may be. Any other method will leave the door open for relieving the owner of his surplus cash to an extent undreamed of by the uninitiate. At some European ports last autumn ships were taking five and six weeks to dis-

charge — with time charters at \$9 and \$10 a ton. Either the ship or the cargo had to lose that. It makes one dizzy to think of it.

Ambiguous wording of charters is sometimes accidental and sometimes not. A private charter bore for years the following provision for demurrage:

And in case the vessel is longer detained, the party delinquent shall pay to the party observant demurrage at the rate of £. . . . *per diem*.

Now, the kink in this is that under such a clause the charterer could collect demurrage from the ship, if the ship were at fault for the delay. This is a very extraordinary provision, and one to which any owner would object. The meaning is unmistakable; and yet for years the clause went unquestioned. Which tends to prove that many men will sign papers without really taking the pains to think out what they are signing. In reading a charter, it is not sufficient to think you know what a word, a phrase, or a clause may mean. You must not only know what it actually does mean, but it will be very useful to consider what interpretation may be put upon it by the other party.



## CHAPTER XXXIX

### CHARTER PARTIES: FAULTS AND AMBIGUITIES (*continued*)

A CASE that came to arbitration here some years ago will illustrate some of the questions that may arise under "despatch" provision for loading and discharging.

A large ship was chartered for grain from Norfolk and/or Newport News to a port on the Continent. After she had arrived on the other side and discharged, the owners sent in a claim for \$10,000 demurrage; and, payment being declined, the case came to arbitration. It was proved that the ship arrived on May 15 (Thursday), and was not cleared until twenty-six days later (June 10). The charter provided that cargo should be supplied as fast as the vessel could receive in regular working hours, according to the custom of the port or ports. It was admitted that twenty-six days was altogether out of reason for "despatch" loading, and the case looked pretty unpromising for the charterer.

But, when the causes of delay were analyzed, matters changed somewhat. It was proved that, while the vessel arrived on May 15, she came in after sundown, so that her arrival day did not count.

Then three working days were occupied in fitting up, which made her tenderable only on May 20 (one Sunday out).

At that time it was a custom at Hampton Roads that ships tendered for grain must wait their turn at the ele-

vator in the order of tendering. (Of course, in case of limited lay days this would not matter to the owner; but with "despatch" for loading, such waiting would be for ship's account.) So that it was Friday, May 23, before the ship actually began on the charterer's time.

After putting in 20 loads of grain in 4 working days (that is, say 1,000 tons a day), she was shifted to Norfolk on Tuesday, May 27, where again she was delayed three days waiting her turn. That brought her to Friday, May 30, which, being a holiday, did not count. She then used six days (exclusive of one Sunday) in completing her cargo, which brought her to June 6. One day to clear (custom of port) carried her over to June 7. But that was as far as the charterer could figure out his case. He had to pay for the other three days — about \$1,500, if writers recollection serves.

The custom above referred to caused so much complaint of the ports named that, in self-defense, they had to be altered. Close limits are now placed on such delays in Hampton Roads.

It is obvious from the above that owners are liable to meet gross injustice under such provisions. In charters (for instance) made to cover a large range of ports, with provision that the ship shall load or discharge according to port custom, it is almost a certainty that, when the time comes to declare the port, that steamer will be ordered to the port where the momentary conditions are most unfavorable for shipowners because the freights (and consequently the cif values) to such ports will be enhanced by those conditions. Hence charterers will be able, in such ports, to sell the cargoes on the most profitable terms. When one thinks it out, this is a commercial truism.

There has been a great deal of money lost by ignorance or neglect of this very simple line of reasoning. The novice is almost always unduly influenced by the consideration of gross revenue. It does take experience to realize that there are elements in a charter even more important than the freight rate. No commercial rate, for instance, could make it advisable to accept a charter to the North Pole. That is an extreme supposition, but illustrates the point that the rate is only one factor in the profit and loss account.

It is very necessary, in drafting a charter, to keep clearly in view what provisions are desired, and then to be careful that those ideas are expressed in such a way as to admit of no misinterpretation. If lay days are to begin immediately on delivery of notice from master to charterer, say that. Always specify that such notice must be delivered within business hours. It would be so decided anyway, but it is well to specify; for disputes take time and energy, and one never can tell what freakish position some contentious mind is going to take up. If lay days are to begin twenty-four hours after notice, say that; and be sure the clause is clear, short, and decided. Bear in mind that the tender does not have to be accepted unless the ship has entered at the custom-house and has all her holds fully ready for cargo. Lay days should be suspended when a ship cannot receive cargo owing to her own default.

If it is desired to grant (or to secure) an extra day for clearing, which is not to be counted as a lay day, say that. It is customary in some trades to grant this, whether specified or not; but it does no harm to make it clear that such is the agreement. No injustice is likely from a charter being made clear and decisive in



expression, but no one knows where a hazy clause may land him.

Never accept the word of any interested party as to what a clause means. Make sure of it through other sources. Bear in mind that, once a charter is signed, evidence as to what was said at or before the time of signing will not be admitted by any court, in contradiction of any clear provision of the document. If a provision be ambiguous, parole evidence may (if it seem best to the court) be admitted to clear up such ambiguity. But if the stipulation be clear — not.

The reason for this very proper principle of law is not far to seek. Once parole evidence is admitted in contradiction of a clear agreement, the value of a written contract is gravely impaired. One of the chief values of any written document is its finality, and a contract the undoubted provisions of which are likely to be upset by parole evidence has very little advantage over a mere verbal agreement.

There is a tendency, especially with novices, to regard printed provisions in a charter party or bill of lading as being less subject to criticism and alteration than those specially written in or stamped on. This is partly due, perhaps, to the fact that in case of conflict between a printed clause, on the one hand, and a stamped or written clause, on the other, the latter has been held to govern. But this is all there is to any ground for failing to scan any printed provision of a charter as carefully as if it were written in.

The authority of a printed charter is pure superstition. Charter forms are made in the expectation that they will be corrected, modified, altered, and erased. Any one can get up a printed charter form who can

write and pay the printer's bill; and a favorite way of "slipping one over" on the unwary is to print an innocent-looking clause in an inconspicuous place, in the hope that the other party may not notice it when scanning the page before signing. This works oftener than one would think, especially in these days when so many virgin minds are essaying the shipping game.

It is the duty of both parties to examine carefully and reason the why and wherefore of every bit of printing in the charter, especially nowadays when demurrage may be \$4,000 a day and charter hire often \$75,000 a month.

Most charters provide that the charterer shall designate the berth, but in many cases they do not specify beyond this. For the sake of clearness (especially in net form charters) it should be specified:

1. Who obtains the berth?

It is probable that where the charterer is obligated to designate the berth, he is also obligated to secure it. In other words, he cannot designate an unobtainable berth, but must secure from the wharfinger the necessary permission to berth the ship. But there is no harm in providing that he shall "obtain and designate" the wharf at which the ship is to be berthed. That will eliminate all dispute as to responsibility for extra expense if the berth designated should (as sometimes happens) not prove available on the ship's arrival.

2. Who pays the wharfage?

In the gross form of charter this question, of course, cannot arise. But in the net form a clause that "charterer shall provide berth" does not necessarily imply that the charterer shall pay the wharfage, even when by the terms of the charter all loading and discharging expenses are at the cost of charterer. So that, if the ex-

pense of wharfage is not placed by the printed form of a net charter, it is just as well to be explicit. A decision in a recent case of this sort, in which the charterer was to "provide a berth for discharging," placed the cost of wharfage on the ship, although by the charter terms "all discharging expenses" were to be borne by the charterer.

This decision appears wrong. The term "provide," as used in this sense, would seem conclusive of the obligation to pay. But arbitrators are queer. Judges and juries are even queerer. Hence it is best to leave no loop-hole of escape in case one wants the other fellow to pay the bill. You may safely assume that he is at least as anxious to escape unnecessary expense as you are. In this business, friendship may last up to the signing of the charter, but it is suspended when it comes to interpretation. Further, if you write the charter so that its meaning and intent are clear, no one can blame you if they have failed to understand the exact obligations placed upon them by the contract.

In case any options, as to loading or discharging ports or other conditions, are granted to the charterer, provision should be made for declaration of option so as not to delay the ship or cause her inconvenience or expense.

In the case of a choice of loading ports, the charterer should declare the choice at the last port touched by the ship before sailing for her loading port. In case there is a choice of discharging ports, declaration should be made at the time of signing bills of lading, unless the ship is chartered for a port of call (such as Queens-town), where her ultimate port is to be named. Such a charter would be described as a "Cork" or "Aahuus for



orders " charter (or whatever the port of call might be).

In such cases the freight should be enough higher to cover the cost of delay and any extra expense over the charter, as compared with a direct port of discharge. Where the charterer is allowed option of a number of ports, that choice should be limited to what are known as " safe ports " within the given range, as, for instance, " to one safe port on the Continent of Europe between Hamburg and Bordeaux, both inclusive," which would be described as " a range of ports on Continent " charter; or if " between Havre and Bordeaux," " French Atlantic range."

In case the range of ports should include high latitudes (as, for instance, the Baltic), proper provisions against ice should be carefully looked to. Any carelessness in this respect will surely lead to trouble, for if the risk of ice be for ship's account, any charterer could make money by using her for risky ice ports and would be very apt to do so.

Another ambiguity that may cause trouble is the question whether Sundays and holidays, when excluded from the regular count of lay days, should be counted as lay days, if used by the charterer for loading or discharging. A very good clause for the ship is to insert the words " unless used " after " Sundays and holidays excepted." For the charterer it is a good thing sometimes to have this question left open, since the owner will often be glad to expedite the despatch of a ship by permitting the use of Sundays and holidays, without counting them as lay days. The extra expense of overtime, etc., is in such cases to be borne by the charterer. The same is true of night work.

Always bear in mind that, wherever Saturday is a

legal half holiday, the working week will count as only five and one half working days.

This is the practice at Philadelphia, Baltimore, and Boston. Under the New York statutes there can be no possible dispute, as the following quotation from the statutes of 1909 will show:

*Holidays, half-holidays:* The term holiday includes the following days in each year: the first day of January, known as New Year's day; the twelfth day of February, known as Lincoln's birthday; the twenty-second day of February, known as Washington's birthday; the thirtieth day of May, known as Memorial Day; the fourth day of July, known as Independence Day; the first Monday of September, known as Labor Day; the twelfth day of October, known as Columbus Day, and the twenty-fifth day of December, known as Christmas Day; and if either of such days is Sunday, the next day thereafter; each general election day and each day appointed by the President of the United States or by the Governor of this State as a day of general thanksgiving, general fasting and prayer, or other general religious observances. *The term half-holiday includes the period from noon to midnight of each Saturday, which is not a holiday.* This act shall take effect immediately.

A curious case of ambiguity in charter terms was recently decided in the port of Genoa.

A time charterer (the specified term of the charter having been completed) redelivered a steamer at the prescribed port of delivery, and under the conditions required by the charter, as far as such conditions were expressed in charter party. But that instrument did not prescribe that the ship should be redelivered during business hours, and the owner refused to accept redelivery at 2 A. M. on the ground that redelivery, by custom,

was during business hours, even when the point was not specially covered in the contract.

Charterer claimed that, as the charter hire ran against him every hour of the twenty-four, hour by hour, whether in or out of business hours, he was entitled to save hire by redelivery at any time not specifically excluded by express covenant — in brief, that the ship was of just as much use to the owner at 2 A. M. as she was to the time charterer.

Decision was in favor of the charterer.

Nothing more can be done, within the limits of such a volume as this, than to indicate the kind of disputes that have arisen and always will arise from ambiguous, obscure, or misty provisions; hasty or interrupted consideration; insufficiency of information; or even from such combinations of accident or ill fortune as no ordinary sagacity can be expected to foresee, and no experience provide against.

Too great care cannot be taken in arranging the provisions of a charter, and equal attention to exact performance should be exercised by both parties. Do not expect the other party to waive any purely technical right that the contract may give him; neither be afraid to insist upon the last technicality due you, if it be really for your benefit. It cannot be fairly expected that either party to a contract shall live up to technical provisions when they tell against him; and waive them when they tell in his favor.

But never insist on a technicality if it will hurt the other party and be of no benefit to you. That is neither good morals nor good sense. And people who do that sort of thing eventually find a flock of very undesirable chickens coming home to roost.



## CHAPTER XL

### THE HARTER ACT: ITS ORIGIN — ITS INTERPRETATION; OWNER'S LIABILITY

WITH the growing length and complexity of bills of lading and charter parties, arose an abuse which eventually called forth legislation by the United States. This abuse was the continuous expansion by shipowners of the clauses enumerating exemptions which finally appear to whittle down the owner's liability almost to the vanishing point.

The courts in this, as in other matters, had inclined to protect the value of the bill of lading, for reasons at which we have already glanced; and the weight of judicial decisions on all these points leaned toward the shipper's, rather than the owner's, viewpoint.

Nevertheless a demand arose for a federal law which should more exactly define the limits within which the ship might claim exemptions; and which should protect the shippers from dangers as to which the average merchant was unable to look after himself.

To comprehend the present significance of the Harter Act it will be necessary to dip slightly into the law, touch upon judicial interpretation, and make a short excursus into English grammar. In so doing we shall cast a vivid light upon the ancient saw that the layman who conducts his own case has a fool for his client.

For the Harter Act, originally regarded as restrictive legislation for the protection of the shipper, has by

dint of judicious interpolation and judicial interpretation become an enabling act; permitting the owner, by special covenant, to contract himself out of any obligation save that of the exercise of due diligence.

On the 13th of February, 1893, the Act was passed by Congress which is generally known as the Harter Act. (*See Appendix I.*) Such a law could of course apply only to vessels flying the American flag or touching at American ports, for the Federal law extends only over such ships. It may be assumed too that the demand for such a law was accentuated by the fact that, since the American Merchant Marine in 1893 was mostly a dream of the future, the shipowners affected would be chiefly foreign, and the shippers American. Hence the law as drawn applies to all ships trading from or between ports of the United States and those of foreign countries; but to ships plying between foreign ports, even though flying the American flag, it does not apply. For to so restrict American ships, when competing foreign ships were beyond federal jurisdiction would handicap American vessels in every deep-sea trade.

On the face of the exemption clauses as eventually drafted no liability, not even the guaranty of seaworthiness, could be enforced unless the plaintiff could prove lack of diligence on the part of the owner or his manager. Thus the tendency was toward a situation where the cargo would have no redress against the ship, unless (and until) negligence on the part of the owner himself could be proved. This is, in most cases baldly impossible, since ship-owners almost always act through agents and the exemptions were so stated as to specially exempt the ship-owner from liability, where losses were the result of negligence on the part of any or all of his agents.

These then were the announced and understood purposes of the law when passed :

- (a) To make the evasion of certain vital obligations legally impossible.
- (b) To define and clarify the owner's proper immunities.

How far these purposes were really achieved may be a matter of opinion. It may be true that a Judge is only the lawyer with the last guess; but that guess is good until some Judge of equal or higher jurisdiction guesses the other way. To an American a decision of the Supreme Court is necessarily final until reversed, and the losing litigant, even though remaining of the same opinion still, must admit that, at least, *pro tempore*, the law means what the Court says it does.

Nevertheless it will be instructive to examine the Act in each of its clauses, and compare the various readings of which it is capable, with the authoritative reading of the Court of last resort.

Clause I of the Act is apparently as clear as language can make it. There seems in fact no room for more interpretations, than the one which naturally runs with the text. It provides in the simplest language that any covenant relieving the ship from liability for loss or damage resulting from "*negligence, fault, or failure in the proper loading, stowage, custody, care or proper delivery of cargo,*" shall be unlawful and therefore null and void. This is clearly in the interest of the shipper; but so obvious, and so much in line with previous judicial decisions that it rather suggests the poet's apostrophe to the *Katydid*



*"Thou sayest an undisputed thing.  
In such a solemn way."*

Still to have a law clear in meaning is always something.

Clause II also appears clear enough at first sight. The exact text is as follows:

*That it shall not be lawful for any vessel transporting merchandise or property from or between ports of the United States of America and foreign ports, her owner, master, agent or manager to insert in any bill of lading or shipping document any covenant or agreement whereby the obligations of the owner or owners of said vessel to exercise due diligence, properly equip, man, provision, and outfit said vessel, and to make said vessel seaworthy and capable of performing her intended voyage, or whereby the obligations of the master, officers, agents, or servants to carefully handle and stow her cargo and to care for and properly deliver same, shall in any wise be lessened, weakened, or avoided.*

Now to the lay mind this seems clear enough. The owner cannot lawfully lessen, weaken or avoid his obligation to (a) exercise due diligence; (b) properly equip; (c) man; (d) provision; (e) outfit said vessel; (f) and make said vessel seaworthy. This looks like the only reasonable interpretation, *as the text is printed*. More particularly without omitting any word that modifies the sense, we may throw into relief the exact (apparent) inhibition as to the warranty of seaworthiness thus:

*"It shall not be lawful to insert in any shipping document, any covenant or agreement whereby the owners' obligation to make the vessel seaworthy shall in any wise be avoided."*

If the full infinitive be used for each obligation, the

section would read "to exercise due diligence; to properly equip, to man; etc., and to make the said vessel seaworthy." With this form of expression there is greater emphasis on each item of obligation.

This is the interpretation that the man in the street commonly places on this section when he places any. Such also appears to be the trend of English decisions as in "*McFadden vs. Blue Star Line*" (1905) where it was held that "*The absolute warranty of seaworthiness is not, by the incorporation of the Harter Act, negatived; and a mere warranty to use due diligence to make the ship seaworthy substituted.*" Nor would Section III appear to alter the sense of Section II as above stated. True it provides that when due diligence has been exercised, etc., the ship shall not be held responsible for loss resulting from certain specific conditions; but among those *unseaworthiness is not mentioned*. The exemptions are confined to loss from errors in navigation and management, dangers of the seas and other risks which are either ineluctable or avoidable only through the diligence of agents. The owners' obligation as to seaworthiness seems to be left entirely undiluted.

But if only before the word "properly equip" we insert the preposition "to," two interpretations are possible.

The first is the same as above — making the owner still liable for failure to efficiently perform any or all of the specified obligations.

The second, however, owing to the elastic qualities of the English preposition wholly alters the sense. "To" in this case acquires the force of "*for the purpose of properly equipping, manning, etc., and of making the said ship seaworthy,*" etc.

In other words, if this simple preposition be inserted at the right spot, the law may merely forbid the owner to contract himself out of the obligation of "*exercising due diligence*" toward certain ends. With such exercise of diligence his obligation in all these several respects is discharged, and he is entitled to immunity in respect of loss resulting from the causes specified.

In what is known as the Jason case, decided in 1912 by the U. S. Supreme Court, this exact interpretation is given. In the subjoined extract from the Court's opinion the insertion of the bracketted preposition will be noted.

"Section 2 prohibits the insertion in any bill of lading of an agreement lessening or avoiding the obligation of the shipowner "*to exercise due diligence [to] properly equip, man, provision and outfit said vessel and to make said vessel seaworthy.*"

The opinion further states:

"Instead of merely sanctioning covenants and agreements limiting his liability, Congress went further and rendered such agreements unnecessary by repealing the liability itself, declaring that if the shipowner should *exercise due diligence*, to make the vessel in all respects seaworthy, and properly manned, equipped and supplied, neither the vessel, her owner or owners, etc., should be responsible for damage or loss resulting from faults and errors in navigation or in the management of the vessel, etc., etc."

The result of this view of the law is thus summarized in "Carver on Carriage of Goods by Sea."

"On the other hand, there seems to be no prohibition of clauses framed to relieve a shipowner of the absolute



warranty of seaworthiness of the ship on sailing, which under United States law as well as English law, is implied in the absence of express agreement. On the contrary, the terms of Sect. 2 of the Act seem implicitly to sanction such clauses, provided they still leave on the shipowner an obligation of due diligence to make the ship fit.

This then is the authoritative interpretation of Clause 2. For those who are curious as to the legal reasoning, a perusal of cases of the *Carib Prince*, *Irawaddy* and *Jason* are recommended.

In minds untrained in juridical niceties this method of interpretation is strongly suggestive of the Lord Chancellor in "Iolanthe" who made a law satisfactory to every one by merely inserting in the text (where it had not appeared before), the word "*not*." Still, it is not recorded that his action was ever reversed.

However, the law is what it is, and, therefore, the point to be noted is this.

The popular conception of the effect of this Act is, that it prohibits the owner from substituting (by special covenant) the exercise of due diligence for the specific performance of certain obligations; and especially the obligation to provide a seaworthy ship.

This conception is wrong. As the law now stands it especially *enables the shipowner to do that very thing*.

From a practical point of view, however, it is safest for an owner to assume that, if the ship should prove unseaworthy he will be held responsible.

The actual exercise of due diligence by the owner and/or agents should come pretty near to insuring a seaworthy ship. In other words, courts are liable to hold that in most cases of provable unseaworthiness, the

owner or his agents are to blame. It may be added that the burden of proving the exercise of due diligence by the owner, and all to whom he may delegate the obligation, under this decision, would seem to rest upon the ship.

Deviation must not be greater than necessary, since every charter carries either an express or implied warranty against unnecessary deviation; otherwise this part of the section speaks for itself.

Of the remaining clauses, the reasons for exempting live animals in No. 7 would seem clear enough. The risks are so great that any law which threatened to make the live-stock carrier responsible for loss by death would prove an insuperable handicap to America in competition with other cattle-exporting nations.

The three sections of the United States Revised Statutes, referred to in Section 6, are of the following purport:

- Sec. 4,281: Exempts shipowner if certain kinds of extra valuable or damageable cargoes are shipped, without written declaration of character or value being made by shipper.
- Sec. 4,282: Exempts shipowner from liability in certain cases of damage by fire.
- Sec. 4,283: Shipowner's liability in case of embezzlement, loss, or destruction of cargo limited to value of his interest in ship and freight money.

Every one in the business should have a working knowledge of this act and the three sections of the revised statutes above referred to. We have glanced at this law in its full text, since any one interested in the traffic or operating department of ocean shipping

should be fairly familiar with it, and with its broad bearings on ordinary freight traffic. Yet it is likely that, of those who ought to have such knowledge, not one half really do have it; while it is amazing to find how many know nothing at all about the act — except its popular title, the Harter Act.

No more vital question to the owner exists than that of his liability, and how far he may, by express stipulation, exempt himself. In general, and in the absence of express stipulation, all shipowners who are common carriers are liable for any damage to goods which they transport unless such damage be caused by the act of God, public enemies, or by *vice propre* — that is, the qualities inherent in the goods (such as heating of grain). Thus the common carrier stands in the position of insurer toward the goods he carries, save for certain exceptions (and, of course, in case of a general average), unless he be exempted by express stipulation.

It is an open question whether a shipowner who hires out his ship for occasional voyages, and does not run her in regular routes, stands as a common carrier in the same sense as the owner of a ship operating in regular line. It is disputed whether such an owner stands as insurer like a common carrier, or is only bound to exercise due diligence. But all this does not touch the shipowner's obligation to provide a seaworthy vessel. This is well and succinctly stated by Scrutton (page 199):

All shipowners who contract to carry goods undertake absolutely, in the absence of express provisions negating such undertaking, that their ship is seaworthy at the beginning of the voyage, and that they will proceed on the voyage with reasonable despatch and without unnecessary deviation.



Regarding the interpretation of British law on this point, the following recent news item will be of interest. It will be noted that the case was decided by an Anglo-Indian court:

An important question of shipowner's liability has just been decided by appeal in the chief court of Lower Burma.

The British India Steam Navigation Company was sued for damages caused to some dry beef by contact with tar, and the defense was the familiar one that defendants were exempted from liability by the terms of the bill of lading. The case was dismissed in the first court on the ground that defendants were able to so contract themselves out of liability. With this finding the chief court did not agree. Both judges concurred in the following opinion:

A carrier who by contract divests himself of the peculiar liabilities that would attach to him as a common carrier ceases to be governed by the law applicable to common carriers and is governed by the law applicable to an ordinary bailee; and if an ordinary bailee cannot contract out of liability for negligence, still less would a common carrier be able to do so; . . . a carrier by sea under India law cannot contract out of liability for the negligence of himself or of his servants.

The case was remanded back to the original court for a finding as to negligence and damages.

One more thing. The owner of a vessel must ordinarily guarantee her seaworthiness if he offers her for service. But if he offers her for sale he guarantees nothing.

Nor does a builder give any implied guaranty of seaworthiness when he turns the ship over to her buyer. That is worth remembering. A contract to build a ship according to certain specifications is not a maritime contract, and does not impose the obligations of a mari-

time contract. Hence the builder gives no warranty except to perform his contract, and if the ship, when built, meets the contract terms he is freed. If he has agreed to so build her as to secure a given rating or "class" he is safe when he has secured it, unless the buyer can prove

- (a) that the specifications have been materially varied from; or
- (b) that the rating has been secured by fraud.

This seems a pity, for many ships have been built in the last few years whose builders should be wearing striped suits to-day; but capable admiralty lawyers assert that it is so. (See Chapter VIII.)

When one considers the moral depravity that would conspire to send fellow human beings to sea in such craft to make a few tainted dollars, perhaps from the death agonies of hapless mariners and the tears of widows and orphans, it is difficult to speak with restraint. It is an undoubted fact that work has been passed of which a twelve-year-old boy would be ashamed. Ships have received classification certificates when they would hardly float at their wharves. Some of these cases cannot be explained on any other theory than that of criminal conspiracy. Just how it was done can only be surmised; proof is almost impossible to obtain.

This matter may remain a mystery until the great day when all mankind shall be called to a last account. But a lot of widows and orphans; owners and underwriters will be interested in the answer, even then.

When the guilty parties are about to face, on humanity's last voyage, the darkness of an unknown but pos-

sibly pregnant future, there will remain to the desolate hearts whom they are leaving behind, one last consolation in their sorrow. In those time-charters for eternity, ice clauses will be superfluous.



## AFTERWORD

It has been the chief purpose of this volume to suggest to the student the lines along which a successful shipping business must be conducted. The business can no more be *learned* by reading books or listening to lectures, than salvation can be attained by a Correspondence Course in Christian Experience.

Ceaseless and careful watchfulness, backed by prompt decision and guided by experience, are the prime requisites.

The investor (whose money is shortly to be solicited for the financing of our Merchant Marine), should realize that three factors decide profit or loss.

- (a) The world's freight market
- (b) The quality of the ship
- (c) The quality of the management

The first is in the lap of the gods. The second and third depend upon the investor himself. (1) Never put your money in a ship which has not been specially surveyed (in your sole interest) by an honest and competent engineer; especially with a view to her suitability for the proposed trade.

(2) Never put your tonnage in the hands of an operator, who has not already demonstrated his ability and experience. If you do — your money is gone. There is nothing harder to work profitably, than a tramp steamer under competitive conditions. Do not employ an inexperienced man, firm or corporation to work your ton-

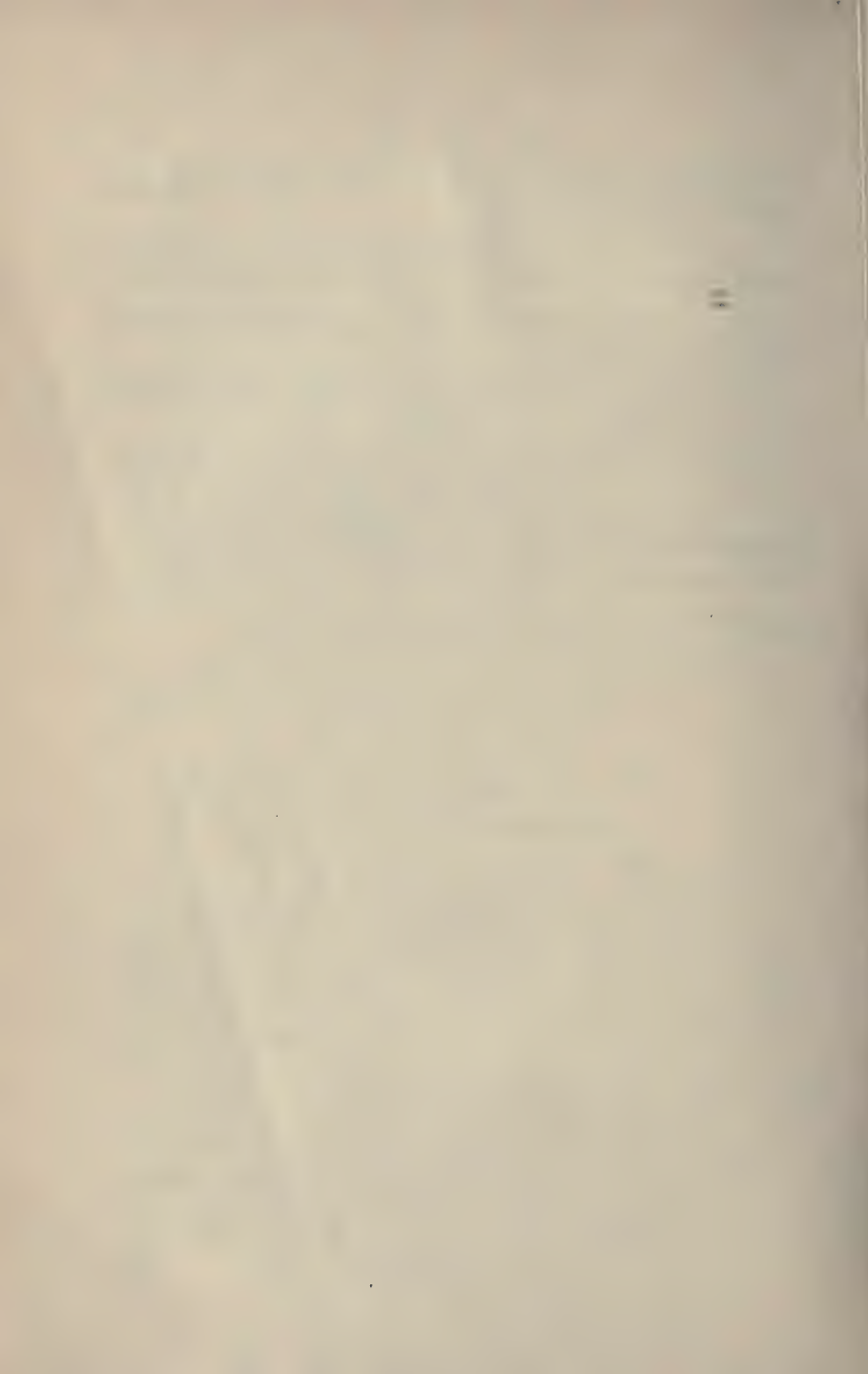
nage simply because they are "live wires." All you will get will be the shock.

A very experienced and successful ship operator recently said to the writer, "*I have been in this business twenty-six years, and every day I appreciate more how much I don't know.*"

Never have anything to do with any man who "*knows all about shipping.*" He knows too much.

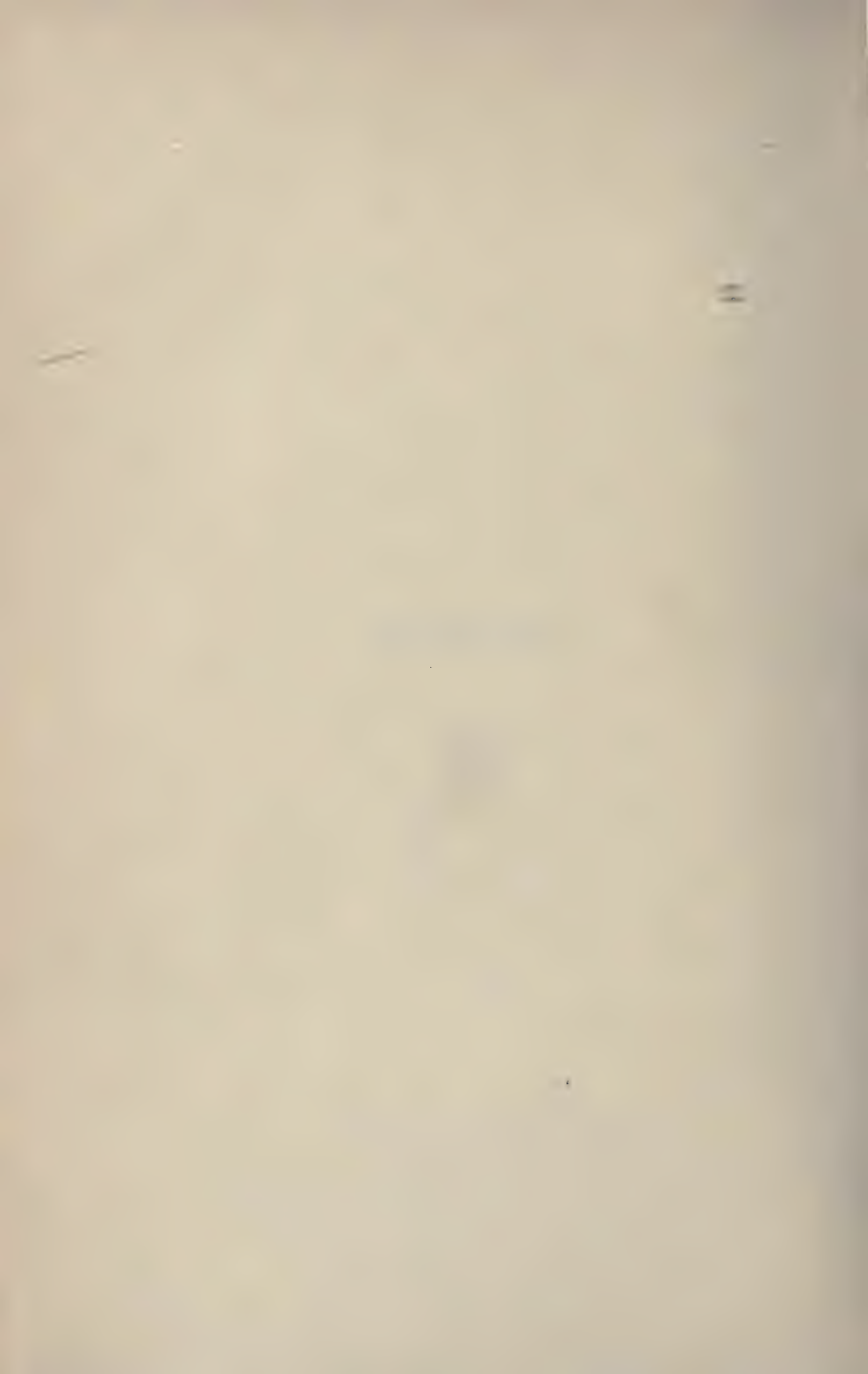
Honesty, diligence and severe methods are necessary to the conduct of the business; but they will hardly achieve any very startling success unless accompanied by trained experience, tireless patience of detail, and sure-footed decision and resourcefulness which are demanded by the inevitable emergencies of the vocation.

FINIS





## APPENDICES



APPENDIX A-1

NOTE OF PROTEST

New York State }  
New York County } S. S.

Before me, Jeremiah F. Murphy, a Public Notary duly commis-  
sioned and sworn, dwelling in the City of New York.

Personally came ..... Master of the  
..... called the ..... of  
..... of the burthen of ..... Tons  
or thereabouts, laden with .....  
and saith that he sailed from ..... on the .....  
day of ..... and .....  
..... and arrived at this port of New York  
the ..... day of ..... 19.. but fearing damage  
enters his protest in due form of law reserving to himself the right  
to extend the same in time and place convenient.

New York, .....19

.....Master.  
.....  
.....



## APPENDIX A-2

### EXTENDED PROTEST

#### UNITED STATES OF AMERICA

State of New York, }  
City of New York. } ss.

TO ALL PEOPLE TO WHOM THESE PRESENTS SHALL COME OR MAY CONCERN :

I, Henry Blake, a Public Notary in and for the County of Kings and State of New York, by Letters Patent, under the Great Seal of said State duly commissioned and sworn, residing in said County, and having filed a certified copy of my appointment with my autograph signature in the Clerk's Office of the County of New York, SEND GREETING :

KNOW YE, that on the first day of February, in the year of our Lord one thousand nine hundred and twenty before a notary public appeared William J. Ward, Master of the steamer called the *Helen Angier*, and noted in due form of law with him the said notary public his Protest for the uses and purposes hereinafter mentioned, and now, on this day, to wit, the day of the date hereof, before me, the said Notary, at the City of New York aforesaid, again comes the said William J. Ward and requires me to extend his Protest, and together with the said William J. Ward also came John Jones, first officer; Henry Smith, 1st Assistant Engineer; and Ole Olsen, able seaman belonging to the aforesaid vessel all of whom being by me duly sworn on the Holy Evangelists of Almighty God, voluntarily, freely and solemnly do declare, and depose as follows: That is to say, that on the tenth day of January, 1920, he, the said William J. Ward set sail and departed in and with the said vessel as Master thereof, from Civita Vecchia, Italy, having on board the said vessel a Cargo of General Merchandise, and bound for the Port of New York; that the said vessel was then stout, staunch and strong; had her cargo well and sufficiently stowed and secured, was well masted, manned, tackled, victualled, apparelled and appointed; and was in every respect fit for sea and the voyage she was about to undertake.

(Here are filled in the details of the disaster.)

and the said William J. Ward further says, that, as all the damage

and injury which already has or may hereafter appear to have happened or accrued to the said vessel or her said cargo, has been occasioned solely by the circumstances hereinbefore stated, and cannot nor ought not to be attributed to any insufficiency of the said vessel or default of him, this deponent, his officers, or crew, and he now requires me, the said Notary, to make his Protest and this public act thereof, that the same may serve and be of full force and value, as of right shall appertain; AND thereupon the said William J. Ward doth Protest, and I, the said Notary, at his special instance and request, do by these presents, publicly and solemnly protest against winds, weather and seas, and against all and every accident, matter and thing had and met with as aforesaid, whereby or by means whereof the said vessel or her cargo already has or hereafter shall appear to have suffered or sustained damage or injury, for all losses, costs, charges, expenses, damages and injury which the said William J. Ward, the owner or owners of the said vessel or the owners, freighters or shippers of her said cargo, or any other person or persons interested or concerned in either, already have or may hereafter pay, sustain, incur or be put upon, by or on account of the premises, or for which the insurer or insurers of the said vessel or her cargo, is or are respectively liable to pay or make contribution or average according to custom, or their respective contracts or obligations; and that no part of such losses and expenses already incurred, or hereafter to be incurred, do fall on him, the said William J. Ward, his officers or crew.

THUS DONE and Protested in the City of New York, this first day of February in the year of our Lord one thousand nine hundred and twenty.

IN TESTIMONY WHEREOF, as well the said appearers as I, the said Notary, have subscribed these presents, and I have also caused my Seal of office to be hereunto affixed the day and year last above written.

MASTER (Sgd) WILLIAM J. WARD.

1ST. MATE (Sgd) JOHN JONES.

(Sgd) HENRY SMITH.

(Sgd) OLE OLSEN.

## APPENDIX B

### AVERAGE BOND

FORM PRESCRIBED BY THE  
ASSOCIATION OF AVERAGE ADJUSTERS  
OF THE UNITED STATES

WHEREAS, it being represented that the  
whereof is, or lately was Master,  
having on board a cargo of  
in which we are interested as owners, shippers or consignees,  
sailed from  
on or about the day of 19  
bound for

and in the course of her said voyage (*Here give details*)  
and that thereby certain losses and expenses were incurred, and  
other and further losses and expenses, consequent thereon, may yet  
be incurred, and that such losses and expenses may be a charge, by  
way of General Average or otherwise, upon the vessel, her freight  
and cargo, or either of them.

Now, therefore, we, the Subscribers, owners, shippers, or consignees, of such of the cargo of said vessel as we have severally described and set opposite our respective signatures hereto, in consideration of the premises and of the delivery to us respectively of such cargo, or so much thereof as may be saved, without retention pending an adjustment of said losses and expenses, do hereby, for ourselves, our respective Executors and Administrators, severally and respectively, but not jointly, nor the one for the other, covenant and agree to and with

Owners or Agents of the owners of the said vessel and with one another that the losses and expenses aforesaid, or so much thereof, as, upon adjustment of the same to be stated by

WILLCOX, PECK & HUGHES, Adjusters of Averages,  
according to the laws and usages of this port in similar cases, may be shown to be a charge upon the said cargo, or upon any of the cargo of said vessel which may be received by us, shall be paid by us, respectively, according to our several and respective parts or shares thereof, unto the said



and/or Willcox, Peck & Hughes, when such adjustment is completed and due notice given thereof.

Provided, however, that if any of said cargo has been shipped under Bills of Lading containing an agreement that the York-Antwerp Rules shall be the rules of adjustment, such agreement shall not be affected hereby, but in all other respects this Bond shall remain in full force.

And we further promise and agree to furnish said Adjusters upon their request, all information which they may deem necessary to a correct adjustment of this case.

This Bond may be executed in several parts of like tenor and date, the whole of which are to constitute but one Bond, with the same effect as if each of said parts were severally signed by us.

IN WITNESS WHEREOF, we have to these presents respectively set our hands, in the City of \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ one thousand, nine hundred and \_\_\_\_\_

Signatures	No. B/L	Marks	Merchandise	Amount of Invoice	
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

## APPENDIX C

### YORK-ANTWERP RULES OF 1890

#### RULE I.—JETTISON OF DECK CARGO

No jettison of deck cargo shall be made good as general average.

Every structure not built in with the frame of the vessel shall be considered to be a part of the deck of a vessel.

#### RULE II.—DAMAGE BY JETTISON AND SACRIFICE FOR THE COMMON SAFETY

Damage done to a ship and cargo, or either of them, by or in consequence of a sacrifice made for the common safety, and by water which goes down a ship's hatches opened, or other opening made for the purpose of making a jettison for the common safety, shall be made good as general average.

#### RULE III.—EXTINGUISHING FIRE ON SHIPBOARD

Damage done to a ship and cargo, or either of them by water or otherwise, including damage by beaching or scuttling a burning ship, in extinguishing a fire on board the ship, shall be made good as general average; except that no compensation shall be made for damage to such portions of the ship and bulk cargo or to such separate packages of cargo, as have been on fire.

#### RULE IV.—CUTTING AWAY WRECK

Loss or damage caused by cutting away the wreck or remains of spars, or of other things which have previously been carried away by sea-peril, shall not be made good as general average.

#### RULE V.—VOLUNTARY STRANDING

When a ship is intentionally run on shore, and the circumstances are such that if that course were not adopted she would inevitably sink, or drive on shore or on rocks, no loss or damage caused to the ship, cargo and freight, or any of them, by such intentional running on shore shall be made good as general average. But in all other cases where a ship is intentionally run on shore for the common safety, the consequent loss or damage shall be allowed as general average.

**RULE VI.—CARRYING PRESS OF SAIL.—DAMAGE TO OR LOSS OF SAILS**

Damage to or loss of sails and spars, or either of them, caused by forcing a ship off the ground, for the common safety, shall be made good as general average; but where a ship is afloat, no loss or damage caused to the ship, cargo, and freight, or any of them, by carrying a press of sail, shall be made good as general average.

**RULE VII.—DAMAGE TO ENGINES IN REFLOATING A SHIP**

Damage caused to machinery and boilers of a ship, which is ashore and in a position of peril, in endeavoring to refloat, shall be allowed in general average, when shown to have arisen from an actual intention to float the ship for the common safety at the risk of such damage.

**RULE VIII.—EXPENSES OF LIGHTENING A SHIP WHEN ASHORE, AND CONSEQUENT DAMAGE**

When a ship is ashore, and, in order to float her, cargo, bunker coals, and ship's stores, or any of them are discharged, the extra cost of lightening, lighter hire, and reshipping (if incurred), and the loss or damage sustained thereby, shall be admitted as general average.

**RULE IX.—CARGO, SHIP'S MATERIALS, AND STORES BURNT FOR FUEL**

Cargo, ship's materials, and stores, or any of them, necessarily burnt for fuel for the common safety at a time of peril, shall be admitted as general average, when and only when an ample supply of fuel had been provided; but the estimated quantity of coal that would have been consumed, calculated at the price current at the ship's last port of departure at the date of her leaving, shall be charged to the shipowner and credited to the general average.

**RULE X.—EXPENSES AT PORT OF REFUGE, ETC.**

(a) When a ship shall have entered a port or place of refuge, or shall have returned to her port or place of loading, in consequence of accident, sacrifice, or other extraordinary circumstances, which render that necessary for the common safety, the expenses of entering such port or place shall be admitted as general average; and when she shall have sailed thence with her original cargo, or a part of it, the corresponding expenses of leaving such port or place, consequent upon such entry or return, shall likewise be admitted as general expense.

(b) The cost of discharging cargo from a ship, whether at a port or place of loading, call, or refuge, shall be admitted as general aver-



age, when the discharge was necessary for the common safety or to enable damage to the ship, caused by sacrifice or accident during the voyage, to be repaired, if the repairs were necessary for the safe prosecution of the voyage.

(c) Whenever the cost of discharging cargo from a ship is admissible as general average, the cost of reloading and storing such cargo on board the said ship, together with all storage charges on such cargo, shall likewise be so admitted. But when the ship is condemned or does not proceed on her original voyage, no storage expenses incurred after the date of the ship's condemnation or of the abandonment of the voyage shall be admitted as general average.

(d) If a ship under average be in a port or place at which it is practicable to repair her, so as to enable her to carry on the whole cargo, and if, in order to save expenses, either she is towed thence to some other port or place of repair or to her destination, or the cargo or a portion of it is trans-shipped by another ship, or otherwise forwarded, then the extra cost of such towage, trans-shipment and forwarding, or any of them (up to the amount of the extra expense saved) shall be payable by the several parties to the adventure in proportion to the extraordinary expense saved.

#### RULE XI.—WAGES AND MAINTENANCE OF CREW IN PORT OF REFUGE, ETC.

When a ship shall have entered or been detained in any port or place under the circumstances, or for the purpose of the repairs mentioned in rule X, the wages payable to the Master, Officers, and Crew, together with the cost of maintenance of the same, during the extra period of detention in such port or place until the ship shall or should have been made ready to proceed on her voyage, shall be admitted as general average. But when the ship is condemned or does not proceed on her original voyage, the wages and maintenance of the Master, Officers, and Crew, incurred after the date of the ship's condemnation or of the abandonment of the voyage, shall not be admitted as general average.

#### RULE XII.—DAMAGE TO CARGO IN DISCHARGING, ETC.

Damage done to or loss of cargo necessarily caused in the act of discharging, storing, reloading, and storing, shall be made good as general average, when and only when the cost of those measures respectively is admitted as general average.

#### RULE XIII.—DEDUCTIONS FROM COST OF REPAIRS

In adjusting claims for general average, repairs to be allowed in

general average shall be subject to the following deductions in respect of "new for old," viz.:

In the case of iron or steel ships, from date of original register to the date of accident,—

*Up to 1 Year Old. (A.)*

All repairs to be allowed in full except painting or coating of bottom, from which one-third is to be deducted.

*Between 1 and 3 Years. (B.)*

One-third to be deducted off repairs to and renewal of woodwork of hull, masts and spars, furniture, upholstery, crockery, metal and glassware, also sails, rigging, ropes, sheets and hawsers (other than wire and chain), awnings, covers, and painting.

One-sixth to be deducted off wire rigging, wire ropes and wire hawsers, chain cables and chains, donkey engines, steam winches and connections, steam cranes and connections; other repairs in full.

*Between 3 and 6 Years. (C.)*

Deductions as above under Clause B, except that one-sixth be deducted off ironwork of masts and spars, and machinery (inclusive of boilers and their mountings).

*Between 6 and 10 Years. (D.)*

Deductions as above under Clause C, except that one-third be deducted off ironwork, masts and spars, repairs to and renewal of all machinery (inclusive of boilers and their mountings), and all hawsers, ropes, sheets and rigging.

*Between 10 and 15 Years. (E.)*

One-third to be deducted off all repairs and renewals, except ironwork of hull and cementing and chain cables, from which one-sixth to be deducted. Anchors to be allowed in full.

*Over 15 Years. (F.)*

One-third to be deducted off all repairs and renewals. Anchors to be allowed in full. One-sixth to be deducted off chain cables.

*Generally. (G.)*

The deductions (except as to provisions and stores, machinery and boilers) to be regulated by the age of the ship, and not the age of the particular part of her to which they apply. No painting bottom to be allowed if the bottom has not been painted within six months

previous to the date of accident. No deduction to be made in respect of old material which is repaired without being replaced by new, and provisions and stores which have not been in use.

In the case of wooden or composite ships:—

When a ship is under one year old from date of original register, at the time of accident, no deduction new for old shall be made.

After that period a deduction of one-third shall be made, with the following exceptions:—

Anchors shall be allowed in full. Chain cables shall be subject to a deduction of one-sixth only.

No deduction shall be made in respect of provisions and stores which had not been in use.

Metal sheathing shall be dealt with, by allowing in full the cost of a weight equal to the gross weight of metal sheathing stripped off, minus the proceeds of the old metal. Nails, felt, and labor metaling are subject to a deduction of one-third.

In the case of ships generally:—

In the case of all ships, the expense of straightening bent iron-work, including labor of taking out and replacing it, shall be allowed in full.

Graving dock dues, including expenses of removals, cartages, use of shears, stages, and graving dock materials, shall be allowed in full.

#### RULE XIV.—TEMPORARY REPAIRS

No deductions “new for old” shall be made from the cost of temporary repairs of damage allowable as general average.

#### RULE XV.—LOSS OF FREIGHT

Loss of freight arising from damage to or loss of cargo shall be made good as general average either when caused by a general average act or when the damage to or loss of cargo is so made good.

#### RULE XVI.—AMOUNT TO BE MADE GOOD FOR CARGO LOST OR DAMAGED BY SACRIFICE

The amount to be made good as general average for damage or loss of goods sacrificed shall be the loss which the owner of the goods has sustained thereby, based on the market values at the date of the arrival of the vessel or at the termination of the adventure.

#### RULE XVII.—CONTRIBUTORY VALUES

The contribution to a general average shall be made upon the actual values of the property at the termination of the adventure, to which shall be added the amount made good as general average for property sacrificed; deductions being made from the shipowner's



freight and passage money at risk of such port charges and crew's wages as would not have been incurred had the ship and cargo been totally lost at the date of the general average act or sacrifice, and have not been allowed as general average; deduction being also made from the value of the property of all charges incurred in respect thereof subsequently to the general average act, except such charges as are allowed in general average.

Passengers' luggage and personal effects not shipped under bill of lading shall not contribute to general average.

#### RULE XVIII.—ADJUSTMENT

Except as provided in the foregoing rules, the adjustment shall be drawn up in accordance with the law and practice that would have governed the adjustment had the contract of affreightment not contained a clause to pay general average according to these rules.

J. A. ELLIOTT & CO.,  
SHIP BROKERS.  
INSURANCE AGENTS.  
30 SOUTH ST.,  
NEW YORK CITY.

## APPENDIX D-1

SHIPPED, in good order and well conditioned, by  
on board the                      called the  
whereof                      is Master, now lying at the Port of  
New York, and bound for                      To say:

being marked and numbered as in the margin; and are  
to be delivered in like good order and condition, at the  
Port of                      (the dangers of the seas only  
excepted), unto  
or to                      assigns, he or they paying freight for  
the said merchandise  
with                      primage and average accustomed.

IN WITNESS WHEREOF, the Master or Purser of said  
vessel hath affirmed to                      Bills of Lading, all  
of this tenor and date; one of which being accomplished,  
the others to stand void.

*Dated in New York the                      day of*

Ship not responsible for breakage,  
leakage, damage, or loss arising from  
the nature of goods, or insufficiency of  
packages.

RECEIVED in apparent good order and condition, from the port of NEW YORK and bound for . . . . . (or to be transported by the S. S. . . . .) from any port or ports in or out of the customary route or routes near thereto as she may safely get, with liberty to call at any port or ports in and upon any following Vessel, the cargo, lading, and carry livestock on deck or under deck, or failing shipment by said Vessel, in and upon any following Vessel, the goods marked and numbered as below, shipper's weight (quality, quantity, condition, measures, gauge, contents, weight and value unknown), and to be delivered in like order and condition at the port of . . . . . unto . . . . . (or to his or their assigns, he or they paying freight, primage and charges immediately on discharge of the goods, if any allowance of credit or discount on the gross taken weight or measurement as per below, or as may otherwise result on verification of same at port of destination. Cost of weighing at the expense of the merchandise.

VESSEL AND/OR CARGO  
LOST OR NOT LOST

ATTENTION OF SHIPPERS IS CALLED TO THE ACT OF CONGRESS OF 1851  
 "Any person or persons shipping oil of vitriol, unslacked lime, inflammable  
 matches, or gunpowder in a ship or vessel taking cargo for divers persons on  
 freight, without delivering, at the time of shipment, a notice in writing, ex-  
 pressing the character of such merchandise to the master, mate, officer or  
 person in charge of the lading of the ship or vessel shall forfeit to the  
 United States *One Thousand Dollars.*"

DECLARATION NO.	MARKS	NUMBERS	PACKAGES AND CONTENTS	GROSS LBS.
.	.	.	.	.
.	.	.	.	.
.	.	.	.	.
.	.	.	.	.
.	.	.	.	.
.	.	.	.	.
.	.	.	bbls. @	each
.	.	.	.lbs. @	per 100 lbs.
.	.	.	.lbs. @	per 2240 lbs.
.	.	.	.lbs. @	per 2240 lbs.
.	.	.	feet. in. @	per 40c. ft.
.	.	.	feet. .in. @	per 40c. ft.
.	.	.	feet.....in. @	per cu. ft....
.	.	.	.	10% Primage \$.

In accepting this Bill of Lading, the Shipper, Owner and Consignee of the goods and the holder of the Bill of Lading agree to be bound by all its stipulations, exceptions and conditions, on this page and the back hereof, whether written, stamped or printed as fully as if they were all signed by such Shipper, Owner, Consignee or Holder.

The Master Portorage to be attended to by the agents and paid by the consignee of the cargo as usual.

IN WITNESS WHEREOF, the Master or Agent of the said Steamship hath affirmed to . . . . . Bills of Lading (excluding non-negotiable copies), all of this tenor and date, one of which being accomplished, the others to stand void.  
Dated at New York . . . . . 19 . . . . .

Total Freight \$.....

SIGSBEE, HUMPHREY & CO., INC., Agents.

By .....



IT IS MUTUALLY AGREED, that the ship shall have liberty to sail with or without pilots, to carry goods on deck at risk of owners of the goods, to tow and assist vessels in need, and to deviate for the purpose of saving life or property; that the carrier shall have liberty to convey goods in lighters to and from the ship at the risk of the owners of the goods; and in case the ship shall put into a port of refuge or be prevented from any cause from proceeding in the ordinary course of her voyage to trans-ship the goods to their destination by any other steamship; that the carrier shall not be liable for loss or damage occasioned by fire from any cause or wheresoever occurring; by barratry of the master or crew; by robbers and/or thieves, on land or sea; by arrest or restraint of princes, rulers or people, riots, strikes, mutiny, combination, or crew; by explosion, bursting of boilers, breakage of shafts, or any latent defect in hull, machinery or appurtenances, misfeasance, error in judgment, any act, neglect or default whatsoever of pilots, masters or crew in the management or navigation of the ship, collisions and all and every other dangers and accidents of the seas, rivers and canal, and of navigation of whatever nature or kind or unseaworthiness of the ship, even existing at time of shipment or sailing on the voyage, provided the owners, agents or charterers have exercised due diligence to make the vessel seaworthy; by heating, decay, putrefaction, rust, sweat, chafage, vermin, mildew, rain, spray, sea water, change of character, drainage, leakage, breakage or arising from the nature of the goods or the insufficiency of packages; nor for land damage or damage by coal dust or for reasonable wear and tear or by contact with other cargo or sea water, nor for the obliteration, errors, insufficiency or absence of marks or numbers, address or description; nor for risk of craft, hulk or trans-shipment; nor for any loss or damage caused by the prolongation of the voyage, and that the carrier shall not be concluded as to correctness of statements herein, of weights, measure, quantity, quality, contents and value. Fines, expenses and losses by detention of ship or cargo caused by incorrect marking, or by incomplete or incorrect description of contents or weight or any other particulars required by authorities at ports of discharge upon either the package or Bill of Lading shall be borne by the owner of the goods.

General Average shall be adjusted at New York or port of discharge at shipowner's option according to York-Antwerp Rules of 1890 and Antwerp Rule 1903, and as to matter not therein provided for, according to the law and usage at the port of New York. If the owner or charterer of the ship shall have exercised due diligence to make the vessel in all respects seaworthy and to have her properly manned, equipped and supplied, it is hereby agreed that in case of

danger, damage or disaster resulting from accident or from default or error in navigation or in the management of the vessel, or from any latent or other defect in the vessel, her machinery or appurtenances, or from unseaworthiness, although existing at time of shipment or at the beginning of the voyage (provided the defect or unseaworthiness was not discoverable by the exercise of due diligence) the shippers, consignees or owners of the cargo shall, nevertheless, pay salvage and any special charges incurred in respect of the cargo and shall contribute with the shipowners in General Average to the payment of any sacrifices, losses or expenses of a General Average nature that may be made or incurred for the common benefit or to relieve the adventure from any common peril.

IT IS ALSO MUTUALLY AGREED *that this shipment is subject to all the terms and provisions of, and all the exemptions from liability contained in the Act of Congress of the United States, approved on the 13th day of February, 1893, and entitled "An Act relating to the navigation of vessels, etc." and to sections 4282 to 4287 inclusive of the United States revised statutes.*

1.—The carrier shall not be liable for gold or other precious metals, precious stones, bills, notes or securities, documents, pictures, glass, china, silk, furs, lace or any of the articles enumerated in Section 4281 of the United States Revised Statutes, except in accordance with such statute, and after written notice of the character and value thereof at the time of loading and entry thereof.

2.—ALSO, that the shippers shall be liable for any loss or damage to steamer, cargo, lighter or wharf, caused by inflammable, explosive or dangerous goods, shipped without full disclosure of their nature, whether such shipper be Principal or Agent; and such goods may be thrown overboard or destroyed at any time without compensation. Extra charges, if any, for discharging, lighterage or other expenses on hazardous goods, declared or considered as such by civil or military authorities, must be borne by shippers and/or consignees.

3.—ALSO, that the carrier shall have a lien on the goods for all freights, charges, fines or damages which the steamer, lighter, or cargo may incur or suffer by reason of the incorrect or insufficient marking, numbering or addressing of packages or description of their contents. Bills of lading must be made out in accordance with the prescriptions and regulations of Port, Customs, or Consular authorities. Consular, Board of Health or other certificates required to accompany the goods are to be procured by shippers, and any detention charges or penalties occurring to steamer or cargo, owing to the want of such certificates are to be borne by the shippers and/or consignees, and the cargo shall be subject to a lien therefor.

4.— ALSO, that single packages exceeding two tons in weight shall be liable to pay extra charges, if any, for loading, handling, transshipping, or discharging. Also, that the steamer or any of the servants of the company shall not be liable for any damage or loss occurring from any accident in loading, handling, discharging or transshipping of packages exceeding two tons in weight. And in case of any damage or loss resulting to the steamer, cargo, lighters, cranes or hoisting tackle, owing to incorrect weight having been declared, the shippers and/or consignees of such cargo shall be responsible for such loss or damage. The stipulations for relief of carrier or vessel from liability for negligence shall be inoperative so far as unauthorized by the Harter Act.

5.— ALSO, that the Steamer may commence discharging immediately on arrival and discharge continuously, Day, Night, Sundays and Holidays, any custom of the port to the contrary notwithstanding, the Collector of the port being hereby authorized to grant a general order for discharge immediately on arrival, and if the goods be not taken from the steamer by the consignee directly they come to hand in the discharging of the steamer, the master or steamer's agent to be at liberty to enter and land the goods, or put them into craft or store at the owner's risk and expense, when the goods shall be deemed delivered and steamer's responsibility ended, but the steamer and carrier to have a lien on such goods until the payment of all costs and charges so incurred.

6.— ALSO, that if on sale of the goods at destination for freight and charges, the proceeds fail to cover said freight and charges, the carrier shall be entitled to recover the difference from the shipper.

7.— ALSO, that freight payable on weight is to be paid on gross weight and that full freight is payable on damaged or unsound goods and on all packages containing wine, oil or liquids of any kind, without any deduction, whether said packages be delivered full, partly full or empty; but no freight is due on any increase in bulk or weight caused by the absorption of water during the voyage, and that where reasonable doubt exists as to the correctness of weight or measure stated in this Bill of Lading the carrier has privilege of reweighing goods, and in case they weigh more than called for in bills of lading freight is due in addition and payable by consignee, whether bill of lading be marked prepaid or not.

8.— ALSO, that if any bag or baled goods are landed slack or torn, the consignees shall accept such portions of the sweepings as shall be allotted by the steamer's agent, and the same shall be deemed a full settlement of any claim for losses in weight.

9.— ALSO, that all expense for cooperage, reconditioning and gath-



ering of loose cargo and contents of packages shall be paid by the owner, shipper or consignee of the cargo and shall constitute a lien thereon. Also all stamps, duties and charges to be paid by the consignee of the goods.

10.—ALSO, that if on the arrival of the steamer at the port of delivery any of the bales or packages shipped under the Bill of Lading cannot be identified by reason of insufficiency of marks, obliteration of marks, or no marks, then, in any such case, the Receivers shall take in full discharge, accord and satisfaction, any bales or packages which may be on board the steamer and be tendered them by the Owners, Charterers, or their Agents, notwithstanding that such bales or packages do not bear the marks and description indicated in the margin hereof. Vessel not responsible for damages to bales.

11.—ALSO, that in case any part of the within goods cannot be found during Ship's stay at port of destination, they are, when found, to be sent back at the Merchant's risk and Ship's expense. The ship shall not be liable for incorrect delivery unless such packages shall have been distinctly and permanently marked by the Shipper before shipment with the name of the port of destination. Goods overcarried to be returned without claim for damages arising from over-carriage, or from return carriage.

12.—ALSO, that cargo may be discharged into transit sheds or otherwise, immediately after the arrival of the steamer. Consignee to enter the goods at the Custom House within twenty-four hours after the Steamer is reported there, accepting delivery and removing same immediately after being landed, otherwise duty may be paid, and/or the goods warehoused, in bond or otherwise, by the Agents of the Steamer, at the expense and risk of the Consignees. Portage of the delivery of the cargo, to be done by consignees of the Steamer, at their tariff rates, at the expense and risk of the receivers of the goods.

All freight is to be prepaid and if it remains unpaid for two days after the vessel sails, the carrier may at its option insure the freight for its benefit for account and at the expense of the shipper and/or consignee and such expense shall be a lien on the goods.

13.—ALSO, that this bill of lading, duly endorsed, be given up to the steamer's consignee in exchange for delivery order.

14.—ALSO, that where grain is stowed together with other grain without separation, either from the same or another shipper, each bill of lading shall bear its proportion of loss and/or damage, if any.

15.—The liability of the vessel and carrier shall, in any event, cease upon delivery of the goods from the vessel's tackles or deck,

whether such delivery be made to the consignee or into warehouse or lighter or on dock, or to shore cranes.

16.— ALSO, that merchandise on wharf, lighter, hulk or go-down, awaiting shipment, trans-shipment or delivery be at shipper's risk of loss or damage by fire, flood or other causes not happening through the fault or negligence of the owner, master, agent or manager of the steamer, any custom of the port to the contrary notwithstanding.

17.— ALSO, that Glass is only accepted for carriage, and shipped on condition that the Carrier shall not be liable for breakage of same, however such breakage may be caused, even if by bad stowage, rough handling or negligence on the part of any servant of the shipowner, before or after the commencement of the voyage.

18.— Prepaid freight is to be considered earned on delivery of goods to steamer, and is to be retained by the carrier, vessel and/or cargo lost or not lost, or if there be a forced interruption or abandonment of the voyage at a port of distress or elsewhere, or if the commencement of the voyage be prevented, even though the cargo or part of it be forwarded by any other vessel. In the latter event, the goods shall be at the risk of and the expense of forwarding shall be payable by, the owner, shipper or consignee of the goods, and the said expense shall constitute a lien on the goods.

19.— ALSO, that parcels for different consignees collected or made up in single packages addressed to one consignee, pay full freight on each parcel.

20.— Lighterage if required at port of discharge to be at risk and expense of cargo.

21.— Any difficulties arising out of the congestion consequent upon the war are not to be considered as exceptions to the lay time of the steamer. Consignee to provide lighters, or steamer's agent has liberty to engage lighters at consignee's expense and risk.

22.— IT IS ESPECIALLY AGREED that if, in consequence of war or other interruption of the customary means of conveyance, the goods are in any way detained on the voyage or are prevented from being delivered at destination, in master's discretion, they may be trans-shipped at any available convenient port or forwarded to destination by other available and convenient means of conveyance, and if trans-shipped or forwarded, they may be brought back to port of trans-shipment, or forwarded to any other safely available and convenient port, in all or either of which cases the goods shall at all times be liable and subject to lien for any expenses incurred and shall always be at the risk of the shipper or consignee of the goods.

23.— ALSO, on all goods, as alcohol, acids, oils, benzines, etc., etc.,

which must be watched by order of the Port Authorities, the Receivers will have to pay the sum of six (6) Francs per 1,000 Kilos per day for watching expenses. Delivery permits will only be remitted against payment of these expenses.

24.— Also, that for metal in slabs, bars, ingots, rods, hoops, plates, etc., or any other articles not packed properly, but shipped loose or in bundles, steamer is responsible for the total number of pieces only and not for their respective marks and/or weight and/or measurement.

25.— Also, that the freight on the cargo carried hereunder is regulated by the value thereof and is based on a valuation of not exceeding one hundred dollars per package unless a greater value is declared and written in the bill of lading. Neither the carrier nor its property nor the vessel shall be liable in case of total loss, or short delivery of any package for more than \$100, or the amount stated on the bill of lading for such package, and any partial loss or damage for which the carrier may be liable shall be adjusted pro rata on that basis. In no event shall the carrier be liable for more than invoice or declared value of goods, whichever shall be the least, not including prepaid freight. The carrier shall be entitled to the benefit of any insurance on the goods and to any payments made by or on behalf of the insurers thereof, whether under the guise of advances, loans or otherwise. Neither the carrier nor its property shall be liable for any claim whatsoever unless written notice thereof shall be given to the carrier, with a statement of particulars, before removal of the goods or the portion thereof delivered, or in case of non-delivery of the entire consignment within ten (10) days of the final discharge of the vessel or loss or damage thereto preventing such discharge. No suit to recover for loss or damage shall in any event be maintainable against the carrier unless instituted within three months after the giving of written notice as above provided. No agent or employee shall have authority to waive any of the requirements of this clause. Neither the carrier nor its property shall be held liable for the non-delivery of any goods not received on board the vessel at point of shipment, regardless of any acknowledgment or receipt contained in this bill of lading.

26.— Also, that all steamers of this Line carry general cargo for all ports, including kerosene oil and products of petroleum, spirits of turpentine, all kinds of chemical products and liquids in cans, cases, barrels or packages. The steamer and owners shall not be held liable for any damage to the within cargo resulting from carriage or stowage with, or proximity to, or the effect of other cargo, of what-



ever kind on board. Goods lying in lighter, hulk or go-down or delivered to quay awaiting shipment or trans-shipment to be at risk of owners of the goods.

27.—ALSO, that if the property covered by this bill of lading is to be forwarded, the forwarding may be by any customary conveyance, and shall be at the risk of the owner of the goods, including all risk while awaiting shipment at trans-shipping point, on wharf, in warehouse, or otherwise, but at the steamer's expense, unless otherwise specified, and all liability of the initial or Ocean carrier hereunder shall terminate on due delivery to connecting Carrier or his Agent, and this shipment shall be subject to all the clauses and conditions contained in the Bills of Lading in use by the party carrying the property, and any needed Customs Papers, Custom House Expenses, or carriage to and from custom house, at forwarding point or destination are to be furnished by, or at the expense of, the shipper or consignee; and should the goods be ordered to a port of final discharge, inaccessible by reason of ice, the Carrier of same has the right to deliver them at the nearest open and accessible port, and freight shall be payable on that discharge, which is agreed as a final delivery under this bill of lading. Also when goods are carried at through rates or consigned from or to places beyond the port of loading and/or the port of discharge, the responsibility of shipowner does not commence before actual shipment on board or continue beyond discharge of vessel, shipowner's responsibility being limited to the time goods are actually on board ship and to terms of this bill of lading.

28.—ALSO, that in case this bill of Lading should not be made out in accordance with the existing GOVERNMENT REGULATIONS, at port or ports of discharge, the goods as well as the shipper and receivers are responsible to the steamer or her owners for all penalties and other consequences arising from such incorrectness.

29.—Cost of discharging at destination in France to be at expense of consignee and to be a lien on the goods.

30.—IT IS AGREED that if upon arrival of the steamer at or near Port of destination a blockade or congestion is in effect to make it impracticable to forthwith land and discharge cargo that the Master of the Steamer has the absolute right to proceed to the nearest convenient Port from place of destination where discharge can be had; such discharge at different Port to be deemed and held of the same force and effect as if discharge had been made at Port of destination, and that excess freight charges shall be added for additional voyage on change of Port.

Merchandise not removed from quay within 48 hours after it has

been discharged will be stored at current rates and such storage is a charge payable by receiver of cargo.

**WAR CLAUSES.** Owing to conditions of war or hostilities, existing or threatened, this shipment is accepted at the sole risk of the owners thereof of arrest, restraint, capture, seizure, detention or interference of any sort by any Power and the carrier and its representatives are privileged in its or their absolute discretion, if deemed advisable for the protection of the vessel or any cargo or to avoid loss, damage, delay, expense or other disadvantage or danger, either with or without proceeding to or toward the port of discharge or entering or attempting to enter or discharge the goods there, and whether such entry or discharge be permitted or not, to proceed to any other port or ports or return to the port of shipment, once or oftener in any order or rotation, retaining the goods on board or discharging the same at risk and expense of the owners thereof at any such port or ports at the first or any subsequent call, and full bill of lading freight, together with extra compensation for additional transportation and all other charges shall be paid by shipper, consignee and/or assigns and shall be a lien on the goods.

The ship shall have liberty to comply with any orders or directions as to departure, arrival, routes, ports of call, stoppages, or otherwise howsoever given by the United States Government, the British Government or its Allies (or any department thereof or any person acting or purporting to act with the authority thereof), having under the terms of the War Risk Insurance on the ship the right to give such orders or directions and if by reason of and in compliance with any such orders or directions, anything is done or is not done the same shall not be deemed a deviation.

In view of war conditions, steamer has liberty to proceed via any route to destination and to deviate in the course of the voyage or to remain in port as the Master or the carrier may deem best in their judgment.

## APPENDIX E

C. TOBIAS

SHIP BROKER AND COMMISSION MERCHANT  
BEAVER ST., NEW YORK

THIS CHARTER PARTY, made and concluded upon in the City of  
New York, the                      day of                      19

BETWEEN

of the                      of                      of the burthen of  
tons or thereabouts, register measurement, now lying in the har-  
bor of                      of the first part ;  
and

of the second part, WITNESSETH, that the said party of the first part agrees on the freighting and chartering of the whole of said vessel (with the exception of the cabin and necessary room for the crew, and storage of provisions, sails and cables), or sufficient room for the cargo hereinafter mentioned, unto said party of the second part, for a voyage from

on the terms following: The said vessel shall be tight, staunch, strong and every way fitted for such a voyage, dangers of the seas excepted, and receive on board during the aforesaid voyage, the merchandise hereinafter mentioned. The said party of the second part doth engage to provide and furnish to the said vessel a full and complete cargo,

and to pay to said party of the first part, or agent, for the use of said vessel during the voyage aforesaid.

freight payable in cash upon proper delivery of cargo at port of discharge, free of commission or discount. Charterers to pay vessel's wharfage while under this charter.

It is agreed that the lay-days for loading and discharging shall be as follows, commencing from the time the vessel is ready to receive or discharge cargo

And that for each and every day's detention by default of said party of the second part, or agent, \$ \_\_\_\_\_ dollars per day shall be paid by the party of the second part, or agent, to said party of the first part, or agent.



The cargo or cargoes to be received and delivered alongside, within reach of vessel's tackles.

Sufficient water guaranteed, lighterage if any at expense of cargo.

The dangers of the Seas and Navigation of every nature and kind always mutually excepted.

A commission of five per cent. on the amount of this Charter, demurrage and renewals of the same is due C. Tobias, upon the signing hereof, and is payable by the owners, vessel lost or not lost. Vessel to have a lien upon the cargo for all freight, dead freight and demurrage, and all and every other sum or sums of money which may become due the vessel under this charter.

To the true and faithful performance of all and every of the foregoing agreement, we, the said parties, do hereby bind ourselves, our heirs, executors, administrators and assigns, and also the said vessel's freight, tackles and appurtenances, and the merchandise to be laden on board, each to the other, in the penal sum of estimated amount of freight.

In witness whereof, we hereunto set our hands the day and year first above written.

Signed in the presence of

.....  
 .....

We hereby certify that the above is a true copy of the original Charter-Party now in our possession.

.....*Ship Broker*

## APPENDIX F

### THE BALTIC AND WHITE SEA CONFERENCE UNIFORM TIME-CHARTER 1912 FOR EUROPEAN ETC. TRADE AS REVISED BERLIN 1912

Code Name:  
BALTIME

New York, .....19..

IT IS THIS DAY MUTUALLY AGREED between *John Doe*  
Description of Steamer *Shipping Co., Inc.*, Owners of the good Steamer called  
"Chelmsford" of 8,151 Tons gross Register, classed

5,037 Tons net

100 A1 in *Lloyds* of 703 indicated Horse power, carrying about 11,000 Tons dead weight on Board of Trade summer freeboard inclusive of Bunkers, having as per Builder's plan 520,345 cubic-feet grain capacity, exclusive of permanent Bunkers, which contain about 800 Tons, and capable of steaming about *ten* knots an hour in good weather and smooth water on a consumption of about *forty-five* tons best Cardiff coal, now *en route from Rotterdam for New York*, and *Richard Roe & Co., of New York*, as Charterers.

Charterers  
Period

1. That the said Owners agree to let and the said Charterers agree to hire the said Steamer for the term of (12) *Twelve* calendar months from the time (the day not to be a Sunday or a legal Holiday) the said Steamer is delivered and placed at the disposal of the Charterers ready to load and after written notice has been given between the hours of 9 a.m. and 6 p.m., or between 9 a.m. and 2 p.m. if on Saturday, at *New York* in such dock or at such wharf or place immediately available and where she can always safely lie afloat, as Charterers may direct, she being then tight, staunch, strong, and in every way fitted for ordinary cargo service (with her complement of officers and crew); to be employed in lawful trades for the conveyance of lawful, not injurious,

Port of  
Delivery

**Trade**

inflammable or dangerous merchandise (such as acids, explosives, calcium carbide, ferro silicon, naphtha, petroleum, tar, or any of their products), also no live stock to be shipped, between good and safe ports or places within the following limits: *Safe ports and/or ports in British North America, and/or United States of America, and/or West Indies, and/or Central America, and/or Caribbean Sea, and/or Gulf of Mexico, and/or Mexico, and/or South America and/or Europe (including Copenhagen, Christiania and Gothenburg), and/or Africa, and/or Asia, and/or Australia, excluding River St. Lawrence, White Sea; and Baltic Sea, out of season; Magdalena River and all unsafe ports; Behring Straits, Arctic Ocean, Iceland, Magellan, coast of Alaska, and Nova Scotia*, where she can always safely lie afloat, as Charterers or their Agents shall direct, on the following conditions:

**Owners to provide**

2. That the Owners shall provide and pay for all the provisions and wages, and for the insurance of the steamer and for all deck and engine-room stores and maintain her in a thoroughly efficient state in hull and machinery for and during the service.

Owners to provide one winchman per hatch, if further winchmen are required or if the stevedores will not work with men from the crew at the winches, charterers to provide and pay winchmen from land.

**Charterers to provide**

3. That the Charterers shall provide and pay for all the coals, fuel, water for boilers, portcharges, pilotages (whether compulsory or not), canal steersmen, boatage, lights, tug-assistance, consulages (except consular shipping and discharging fees of the Captain, officers, engineers, firemen and crew), canal, dock and other dues and charges, (also to pay all dock, harbour and tonnage dues at the port of delivery and redelivery unless incurred through cargo carried before delivery or after redelivery) agencies, commissions, expenses of loading, trimming, stowing, unloading, weighing, tallying and delivery of cargoes, surveys on hatches and protests (if relating to cargo) and all other charges and expenses whatsoever, except those above stated.

**Bunkers**

4. That the Charterers at the port of delivery and the Owners at the port of redelivery shall take over and pay for all coal remaining in Steamer's bunkers, at the cur-



rent price of the respective ports. The steamer to be redelivered with not less than 50 tons and not exceeding 200 tons coals in Steamer's bunkers.

**Hire**

5. That the said Charterer shall pay as hire for the said Steamer (\$7.00) *Seven dollars U. S. Gold per ton of dead-weight capacity* per calendar month, commencing from the time the Steamer is placed at the disposal of Charterers, and pro rata for any fractional part of a month (the days to be taken as fractions of a month of 30 days) until her redelivery to Owners as herein stipulated.

**Payment**

That the payment of the hire shall be made as follows: In *New York* in cash, without discount, monthly in advance, to *Owners' New York Agents, Messrs. J. H. Winchester & Co.*

In default of such payment or payments, as herein specified, the Owners shall have the faculty of withdrawing the said Steamer from the service of the Charterers, without prejudice to any claim they (the Owners) may otherwise have on the Charterers under this Charter.

**Loading and Discharging**

6. That the cargo or cargoes shall be laden (with due regard to seaworthiness) and/or discharged by Stevedores appointed by Charterers in any dock, or at any wharf or place the Charterers or their Agents may direct, where the Steamer can always safely lie afloat.

The Owners shall provide gear capable of handling lifts up to two tons and maintain the ordinary cargo gear of the Steamer as fitted, but gear for heavier lifts, shall be for Charterers' account.

Any other special gear including any special ropes, hawsers and chains required by the custom of the port for mooring shall be for Charterers' account.

All runners, ropes and slings actually used for loading and discharging shall be paid for by Charterers.

**Re-delivery**

7. That the Steamer (unless lost) shall be redelivered on the expiration of this Charter-Party, in same good order as when delivered to the Charterers (fair wear and tear excepted) at an ice-free port in Charterers' option in the UNITED KINGDOM OR ON THE CONTINENT BETWEEN HAVRE AND HAMBURG, BOTH INCLUDED, *Six calendar months from the time of delivery at New York*, between the hours of 6 A. M. and 6 P. M., but the day of redelivery

**Notice**

shall not be a Sunday or legal Holiday, always unless owners agree to take redelivery earlier.

The Charterers to give the Owners not less than ten days' written notice at which port and on about which day the steamer will be redelivered.

Should the Steamer be on a voyage at the expiration of the period fixed by this Charter, the Charterers are to have the use of the Steamer at the rate and on the conditions herein stipulated to enable them to complete the voyage, provided always that the said voyage was reasonably calculated to be completed about the time fixed for the termination of the Charter.

Money in dispute to be deposited in the joint names of the parties to this charter party with approved bankers at the place of payment of the hire until the dispute has been settled by arbitrators.

Cargo space

8. That the whole reach and lawful burthen of the Steamer, including lawful deck-capacity (compatible with vessel's seaworthiness), not exceeding what she can reasonably stow and carry, shall be at the Charterers' disposal, reserving only proper and sufficient space for Steamer's officers, crew, tackle, apparel, furniture, provisions and stores. When cargo is shipped on deck it shall be at Charterers' or Shippers' risk.

Captain

9. That Captain shall prosecute his voyages with the utmost dispatch, and shall render all customary assistance with Ship's crew. Although appointed by the Owners the Captain shall be under the orders and direction of the Charterers as regards employment, agency, or other arrangements; and the Charterers hereby agree to indemnify the Owners from all consequences or liabilities that may arise from the Captain or Officers personally or by Agents signing Bills of Lading or other documents or otherwise complying with such orders, as well as from any irregularity in the Steamer's papers or for over-carrying goods. Owners shall not be responsible for shortage, mixture, marks, nor for number of pieces or packages, nor for damage to or claims on cargo caused by bad stowage, or otherwise, the Stevedore being employed by the Charterers.

Misconduct

10. That if the Charterers shall have reason to be dissatisfied with the conduct of the Captain, Officers, or

Engineers, the Owners shall on receiving particulars of the complaint, investigate the same, and, if necessary and practicable, make a change in the appointments.

Directions  
for Cap-  
tains Logs

11. That the Charterers shall furnish the Captain from time to time with all requisite instructions and sailing directions in writing and the Captain and Engineer shall keep full and correct logs of the voyage or voyages, which logs are to be accessible and patent to Charterers or their Agents.

Breakdown

12. That in the event of loss of time from deficiency of men or Owners' stores, breakdown of machinery, or damage to hull or other accident preventing the working of the Steamer and lasting more than twenty-four consecutive hours, the hire shall cease from the commencement of such loss of time until she be again in an efficient state to resume her service; but should the Steamer be driven into port, or to anchorage by stress of weather, or from any accident to the cargo, or in the event of the Steamer trading to shallow harbours, rivers, or ports, where there are bars causing detention to the Steamer through grounding or otherwise, time so lost and expenses incurred (other than repairs) shall be for Charterers' account.

Cleaning  
boilers

13. That the Charterers shall give Owners sufficient time for cleaning boilers.

Negligence

14. That throughout this Charter losses or damages whether in respect of goods carried or to be carried or in other respects arising or occasioned by the following causes shall be absolutely excepted, viz:

The Act of God, perils of the seas, fire on board, in hulk, craft, or on shore, barratry of the Master or Crew, enemies, pirates, robbers, or thieves, arrests and restraints of princes, rulers, and peoples, collisions and strandings, explosions, bursting of boilers, breakage of shafts, or any latent defect, even if existing at the beginning of the voyage, in the hull, boilers, machinery, or appurtenances, negligence, default, or error of judgment of the Pilot, Master, or Crew, or other servants of the Owners, in the management or navigation of the Steamer.

The Steamer has liberty to tow or to be towed and to assist vessels in distress, and to deviate for the purpose of saving life or property.

Advances

15. That should the Captain require funds for ordinary



disbursements for Steamer's account at any port, Charterers or their Agents are to advance the same, such advances shall be deducted from the next hire, but Charterers shall in no way be responsible for the application of such advance.

Excluded  
ports

16. That the steamer shall not be ordered to any port where fever or pestilence is prevalent, or any port blockaded or where hostilities are being carried on, or any ice-bound port, or any port where lights or lightships are or are about to be withdrawn by reason of ice or war, or where there is risk that in the ordinary course of things the steamer will not be able on account of ice to enter the port or to get out after having completed loading or discharging, nor shall steamer be obliged to force ice. Should the steamer be detained by any of the above causes such detention shall be for Charterers' account. Nevertheless, if on account of ice Captain should consider it dangerous to remain at port of loading for fear of steamer being frozen in and/or damaged he shall have liberty (but not be obliged) to sail to a convenient open place and await Charterers' fresh instructions.

Ice

Quarantine  
Detention

17. That detention and all expenses arising through quarantine (including cost of fumigation), strikes, lock-outs, shall be for Charterers' account.

Loss of  
steamer

18. That should the steamer be lost or missing, the hire shall cease from the date when she was lost or last spoken, or if not spoken, then from the date when last seen, and hire paid in advance and not earned shall be returned to the Charterers.

Overtime,  
&c.

19. That the Steamer is to work day and night if required, all overtime to be paid by Charterers. The Charterers shall pay all overtime (six pence per hour per man) to Officers, Engineers, Firemen and Crew and for all meals properly supplied to Pilots, Stevedores, Tallymen, Custom House Officials and Labourers.

Dunnage

20. That the Charterers shall supply and pay for all dunnage required, but shall have the free use of any dunnage that may be in the steamer.

Lien

21. That the Owners have a lien upon all cargoes and all sub-freights for hire and general average contribution, and for all expenses and damages due under or for breach of this charter and Charterers to have a lien on

the Steamer for all moneys paid in advance and not earned.

**Salvage**

22. That all salvage and assistance to other vessels be for Owners' and Charterers' equal benefit after deducting Master's and Crew's proportion, all legal and other expenses and repairs of damages incurred, including loss of time and coal.

**Sublet**

23. That the Charterers shall have the option of subletting the Steamer, giving due notice to Owners, but the original Charterers always to remain responsible to Owners for due performance of this Charter.

**War**

24. That in the event of war between the nation to whose flag the chartered Steamer belongs and any European power or any other power operating or likely to operate in European waters, Charterers and/or Owners shall have the option of cancelling this Charter.

That no voyage be undertaken, and no goods, documents or persons shipped that would involve risk of seizure, capture, repatriation or penalty by Rulers or Governments.

**Prolongation**

25. That the Charterers have the option of continuing the Charter for further *one* period of *six* (6) calendar months each on giving written notice thereof to the Owners at least *thirty* days previous to expiration of the first named and any subsequent term.

**Time for delivery**

26. That the Steamer shall be delivered under this Charter: *not earlier than September 1st, 1919*, and should the steamer not have been delivered latest on the *first* day of *October, 1919*, Charterers to have the option of cancelling this Charter.

**Cancelling**

That should it be proved that the Steamer through unforeseen circumstances cannot be delivered by the cancelling date, Charterers, if required, shall within 48 hours after receiving notice thereof declare whether they cancel or will take delivery of the Steamer.

**Arbitration**

27. That any dispute arising under this Charter shall be referred to arbitration in *New York*, one Arbitrator to be nominated by the Owners and another by the Charterers, and in case such Arbitrators shall not agree, then to the decision of an Umpire who shall be appointed by the said Arbitrators, and the award of the said Arbitrators or Umpire shall be final and binding upon both

parties hereto. The Arbitrators including the Umpire shall be Commercial men.

**General Average**      28. General Average shall be settled according to York and Antwerp Rules, 1890.

**Penalty**      29. Penalty for non-performance of this contract, proved damages.

**Brokerage**      30. A commission of five per cent. on the hire paid and earned under this Charter and on any continuation is payable to: *J. H. Winchester & Co.*



## APPENDIX G

### TIME CHARTER GOVERNMENT FORM

*Approved by the New York Produce Exchange, November 6th, 1913.*

THIS CHARTER PARTY, made and concluded upon in the City of New York, the \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_\_, between \_\_\_\_\_ Agents for Owners of the good \_\_\_\_\_ Screw Steamship of \_\_\_\_\_ of \_\_\_\_\_ tons gross register, and \_\_\_\_\_ tons net register, having engines of \_\_\_\_\_ nominal horse power and with hull, machinery and equipment in a thoroughly efficient state, and classed \_\_\_\_\_ at \_\_\_\_\_ of about \_\_\_\_\_ cubic feet grain capacity and \_\_\_\_\_ tons dead weight capacity (cargo and bunkers, including stores not exceeding fifty tons) on Lloyd's Summer freeboard, inclusive of permanent bunkers, which are of the capacity of about \_\_\_\_\_ tons of coal now \_\_\_\_\_ and \_\_\_\_\_

Charterers of the City of \_\_\_\_\_

WITNESSETH, That the said Owners agree to let, and the said Charterers agree to hire the said steamship from the time of delivery, for about \_\_\_\_\_

Charterers to have liberty to sublet the Steamer for all or any part of the time covered by this Charter, but Charterers remaining responsible for the fulfilment of this Charter Party.

Steamer to be placed at the disposal of the Charterers, at \_\_\_\_\_ in such dock or at such wharf or place (where she may always safely lie afloat, at all times of tide), as the Charterers may direct, and being, on her delivery, ready to receive cargo with clean-swept holds and tight, staunch, strong and in every way fitted for the service, having water ballast, steam winches and donkey boiler with capacity to run all the steam winches at one and the same time (and with full complement of officers, seamen, engineers and firemen for a vessel of her tonnage), to be employed in carrying lawful merchandise, including petroleum or its products, and passengers so far as accommodations will allow (but any expense necessary to fit the steamer to comply with United States Passenger Inspection laws to be borne by Charterers) in such lawful trades, between safe port and/or ports

and/or Europe, and/or Africa, and/or Asia, and/or Australia, excluding River St. Lawrence from October 1st to May 1st, White Sea, Black Sea and the Baltic out of season, Magdalena River, and all unsafe ports:

1. That the owners shall provide and pay for all provisions, wages and Consular shipping and discharging fees of the Captain, Officers, Engineers, Firemen and Crew; shall pay for the insurance of the vessel, also for all the cabin, deck, engine-room and other necessary stores, and maintain her class and keep the steamer in a thoroughly efficient state in hull, machinery and equipment for and during the service.

Charterers are to provide necessary dunnage and shifting boards, but Owners to allow them the use of the dunnage and shifting boards already aboard Steamer. Charterers to have the privilege of using shifting boards for dunnage, they making good for any damage thereto.

4. That the Charterers shall pay for the use and hire of the said Vessel British Sterling per calendar Month, commencing on and from the day of her delivery, as aforesaid, and at and after the same rate for any part of a month; hire to continue until the hour of the day of her redelivery in like good order and condition, ordinary wear and tear excepted, to the Owners (unless lost) at

5. Payment of said hire to be made in New York in cash at the current short sight rate of Exchange, or in approved Bankers sight bills on London, at Owners' option, semi-monthly, in advance, and for the last half month or part of same the approximate amount of

hire, and should same not cover the actual time, hire is to be paid for the balance day by day, as it becomes due, if so required by Owners, unless bank guarantee or deposit is made by the Charterers, otherwise failing the punctual and regular payment of the hire, or bank guarantee, or any breach of the Charter Party is herein specified, the Owners shall be at liberty to withdraw the vessel from the service of the Charterers, without prejudice to any claim they (the Owners) may otherwise have on the Charterers in pursuance of this charter. Delivery to count from 7 A. M. on the working day following that on which written notice has been given before 4 P. M., but if required by Charterers, loading to commence at once, such time used to count as hire.

6. That the cargo or cargoes be laden and/or discharged in any dock or at any wharf or place that the Charterers or their Agents may direct, provided the Steamer can always safely lie afloat at any time of tide, except at such places where it is customary for similar size steamers to safely lie aground.

7. That the whole reach of the Vessel's Holds, Decks and usual places of loading, and accommodations of the Ship (not more than she can reasonably stow and carry) shall be at the Charterer's disposal, reserving only proper and sufficient space of Ship's officers, crew, tackle, apparel, furniture, provisions, stores and fuel.

8. That the Captain shall prosecute his voyages with the utmost despatch, and shall render all customary assistance with Ship's crew and boats. The Captain (although appointed by the Owners), shall be under the orders and direction of the Charterers as regards employment or agency; and Charterers are to load, stow, and trim the cargo at their expense under the supervision of the Captain, who is to sign Bills of Lading for cargo as presented, in conformity with Mates' or Tally Clerks' receipts. Owners to give Time Charterers the benefit of their Protection and Indemnity Club Insurances to the same extent that Owners themselves would have been protected, and in case of shortage or damage to cargo, Charterers to bear the franchise according to the Club rules, which Owners would have otherwise borne.

9. That if the Charterers shall have reason to be dissatisfied with the conduct of the Captain, Officers, or Engineers, the Owners shall, on receiving particulars of the complaint, investigate the same, and, if necessary, make a change in the appointments.

10. That the Charterers shall have permission to appoint a Supercargo who shall accompany the steamer and see that voyages are prosecuted with the utmost despatch. He is to be furnished, free of charge, with first-class accommodations, and same fare as provided



for Captain's table. Provided Charterers do not use the Supercargo privilege, Owners to victual Pilots, Tally Clerks, Stevedore's Foreman, Customs Officers, etc., as customary, free, but if Supercargo privilege is used, Charterers to pay victualing of Pilots, Tally Clerks, etc., at the rate of 25c. per meal.

11. That the Master shall be furnished from time to time with all requisite instructions and sailing directions and shall keep a full and correct Log of the voyage or voyages, which are to be patent to the Charterers or Agents, and to furnish the Charterers, their Agents or Supercargo, when required, a true daily copy of Logs, showing the course of steamer and distance run and the consumption of coal.

12. That the Master shall use diligence in caring for the ventilation of the cargo.

13. That the Charterers shall have the option of continuing this charter for a further period of \_\_\_\_\_ on giving notice thereof to the Owners or their Agents \_\_\_\_\_ days previous to the expiration of the first-named term, or any declared option.

14. That if required by Charterers, time not to commence before \_\_\_\_\_ and should Steamer not be ready for delivery on or before \_\_\_\_\_ Charterers or their Agents to have the option of cancelling this Charter at any time not later than the day of Steamer's readiness.

15. That in the event of the loss of time from deficiency of men or stores, fire, breakdown or damages to hull, machinery or equipment, grounding, detention by average accidents to ship or cargo, drydocking for the purpose of examination or painting bottom, or by any other cause preventing the full working of the vessel, the payment of hire shall cease for the time thereby lost; and if upon the voyage the speed be reduced by defect in or breakdown of any part of her hull, machinery or equipment, the time so lost, and the cost of any extra coal consumed in consequence thereof, and all extra expenses shall be deducted from the hire.

16. That should the Vessel be lost, money paid in advance and not earned (reckoning from the date of loss or being last heard of) shall be returned to the Charterers at once. The act of God, enemies, fire, restraint of Princes, Rulers and People, and all dangers and accidents of the Seas, Rivers, Machinery, Boilers and Steam Navigation, and errors of Navigation throughout this Charter Party, always mutually excepted.

17. That should any dispute arise between Owners and the Charterers, the matter in dispute shall be referred to three persons at New York, one to be appointed by each of the parties hereto, and the third by the two so chosen; their decision or that of any two of

them, shall be final, and for the purpose of enforcing any award, this agreement may be made a rule of the Court.

18. That the Owner shall have a lien upon all cargoes, and all sub-freights for any amounts due under this Charter, and the Charterers to have a lien on the Ship for all moneys paid in advance and not earned, and any overpaid hire or excess deposit to be returned at once.

19. That all derelicts and salvage shall be for Owners' and Charterers' equal benefit after deducting Owners' and Charterers' expenses and Crew's proportion. General average, if any, to be according to York-Antwerp Rules, 1890.

If the Owners of the ship shall have exercised due diligence to make said ship in all respects seaworthy, and properly manned, equipped and supplied, it is hereby agreed that in case of danger, damage or disaster resulting from fault or negligence of the pilot, master or crew, in the navigation or management of the ship, or from latent or other defects, or unseaworthiness of the ship, whether existing at time of shipment or at the beginning of the voyage, but not discoverable by due diligence, the Consignees or Owners of the cargo shall not be exempted from liability for contribution in General Average, or for any special charges, incurred, but with the Shipowner, shall contribute in General Average, and shall pay such special charges, as if such danger, damage or disaster had not resulted from such fault, negligence, latent or other defect, or unseaworthiness.

20. Coals used by steamer while off hire, also for cooking, condensing water for crew's use, or for grates and stoves to be agreed to as to quantity, and the cost of replacing same, to be allowed by Owners.

21. That as the Steamer may be from time to time employed in tropical waters during the term of this Charter, Steamer is to be docked, bottom cleaned and painted whenever Charterers and Master think necessary, at least once in every six months, reckoning from time of last painting, and payment of the hire to be suspended until she is again in proper state for the service.

22. Owners shall provide gear (for all derricks) capable of handling lifts up to three tons, and maintain the gear of the ship as fitted, also provide ropes, falls, slings, and blocks; but gear for heavier lifts shall be for Charterers' account. Owners also to provide lanterns and oil for night work, and steamer to give use of electric lights, when so fitted. The Charterers to have the use of any gear on board the steamer.

23. Steamer to work night and day, if required by Charterers, and all steam winches to be at Charterers' disposal during loading and discharging; steamer to provide men to work same day and night, as required, Charterers agreeing to pay winchmen, deck hands and donkeymen for work done between 6 P. M. and 6 A. M. and on Sundays, at the rate of 18c. per hour for winch operators and deck-hands, and 20c. per hour for Donkeymen. If the rules of the port, or labor unions, prevent crew from driving winches, shore Winchmen to be paid by Charterers. In the event of short steam, or a disabled winch, Owners to pay for shore engine, or engines, in lieu thereof, if required, and pay any loss of time occasioned thereby.

24. It is also mutually agreed that this Charter is subject to all the terms and provisions of and all the exemptions from liability contained in the Act of Congress of the United States approved on the 13th day of February, 1893, and entitled "An Act relating to Navigation of Vessels, etc.," and also subject to the rules governing the Steamship Trade of the New York Produce Exchange.

25. Nothing herein stated is to be construed as a demise of the Steamer to the Time Charterers. The Owners to remain responsible for the navigation of the Steamer, insurance, crew, and all other matters, same as when trading for their own account.

26. A commission of ..... per cent. upon the gross amount of this Charter, payable by the Owners due to Robinson & Armstrong, upon the signing hereof, Steamship lost or not lost, and also upon any continuation or extension of this Charter or on sale of Vessel.

27. An address commission of  $2\frac{1}{2}$  per cent. payable to

28. Penalty for non-performance of this Contract, estimated amount of damages.

.....  
Witness to the signature of

{ .....  
.....  
Agents  
By cable authority from.....  
dated at .....19

.....  
Witness to the signature of

We Hereby Certify the above to be a true copy of the original Charter Party in our possession.

.....Brokers



## APPENDIX H

### NEW YORK PRODUCE EXCHANGE APPROVED BERTH TERMS CONTRACT OF 1897

.....19  
MEMORANDUM OF AGREEMENT between .....  
Agents for Owners of the ..... vessel  
of ..... of ..... tons net  
register and guaranteed ..... quarters of heavy grain  
5 per cent., more or less, weight capacity, and about.....feet, cubic  
capacity for cargo, classed now .....  
..... and .....  
.....Charterers.

1. The Owners agree to let and the Charterers agree to hire the  
said vessel for a voyage from New York, or Philadelphia, or Balti-  
more or from Newport News and/or Norfolk, at Charterer's option  
(orders for first loading port to be given within 24 hours after re-  
ceipt of notice of vessel's arrival at port of call, if coming in ballast,  
or prior to discharge, if coming to United States with cargo) to  
LONDON, LIVERPOOL, GLASGOW, BRISTOL, AVONMOUTH, MANCHESTER,  
CARDIFF, PLYMOUTH, SOUTHAMPTON, DUBLIN, BELFAST, HULL, LEITH,  
NEWCASTLE-ON-TYNE, ROTTERDAM, AMSTERDAM, ANTWERP, HAMBURG,  
BREMEN, DUNKIRK, or HAVRE .....one port only, as  
ordered on signing Bills of Lading, on being paid a freight of.....  
( ) all in British Sterling, for each and every quarter of  
480 pounds, English weight, delivered .....  
.....

2. The owners agree that the vessel shall be tight, staunch and  
strong and in every way fitted for the voyage.

3. The Charterers agree to furnish a full and complete cargo of  
heavy grain, say wheat and/or corn and/or rye, but reserve the privi-  
lege of shipping a full or part cargo of flaxseed and/or barley and/or  
oats, in which case the vessel is to receive same freight and pay  
same loading and discharging expenses as if she had loaded a full  
and complete cargo of heavy grain.

4. The Charterers have the further privilege of shipping, not ex-  
ceeding ..... tons, of other lawful merchandise, in

lieu of a like quantity of grain, in which case the Charterers are to appoint the stevedores to load and discharge the cargo, under Master's supervision, paying all loading and discharging expenses, but Charterers to be in no way liable for improper stowage, the Owners paying them the expenses, including bag hire, figured at current rate of the Port, which the vessel would have incurred loading and discharging a full cargo of heavy grain, and total freight to be equal to what it would amount to on a full cargo of heavy grain. The vessel to be consigned to Charterer's Agents at port or ports of loading and discharge, paying them £10 10s. at each end under a penalty of £50, and the master to sign the usual letter of consignment.

5. Charterers agree to load the vessel to full draft allowed by Underwriters' Surveyors, failing which they are to pay dead-freight for the number of tons short shipped, as shown by the excess buoyancy.

6. Notification of vessel's readiness must be delivered at the office of Charterers, or their Agents, at or before 4 P. M. (or at or before 12 M., if on Saturday), vessel also having been entered at the Custom House, accompanied by pass of the Inspector of Vessel's readiness in all compartments, and the lay days will then commence at 7 A. M. on the next business day, provided vessel is at loading place, as ordered, otherwise days to count in accordance with the Rules governing at Port of loading. Charterer's orders to move to loading place must be served on the vessel's Agents by 5 o'clock P. M. (if on Saturday by 12 o'clock M.) of day of readiness or lay days to begin.

7. Vessel to haul to loading place or places, as ordered by Charterers, but if ordered from her first loading place, the cost of this and any subsequent hauling to be paid by Charterers. In case the vessel loads at Newport News and/or Norfolk, the Charterers have the privilege of shifting the vessel between Newport News and Norfolk as often as may be required, they paying expenses incurred, beyond those incurred by the vessel in shifting once from her first to her second loading port, and allowing Owners for time lost in shifting on that account at the rate of Thirty Pounds (£30), British Sterling, per day or part thereof.

8. Charterers, or their Agents, shall have the option of cancelling this contract if the vessel be not ready to receive cargo on or before the ..... Such readiness shall include the arrival of the vessel at the loading Port, entry thereof at the Custom House, and all compartments ready to receive cargo as shall be shown by the Master's written notification, accompanied by Underwriter's Surveyor's pass to that effect, which must be presented at the office of the Charterers' or their Agents, at or before 4 P. M., or if on Satur-

day, before 12 o'clock noon of said day. This option to cancel shall be exercised not later than the presentation of the said Surveyor's pass of readiness.

9. Lay days, if required by Charterers, not to commence before .....19

10. Vessel to load and discharge at such wharf, place, or in such dock as may be named by Charterers, or their Agents, provided that they are safe and customary places for such berth vessels to load and discharge.

11. The Charterers to have full reach of the holds, including peaks, lazarettes, spare bunkers, etc., and all covered deck spaces where cargo is ordinarily carried, the same as if vessel loaded for Owner's account.

12. The vessel to be loaded and to be discharged with customary berth dispatch, as applicable at ports of loading and discharge, Owners paying any elevator charges at port or ports of discharge necessary to insure this, and if longer detained Charterers are to pay demurrage at the rate of 4d. British Sterling, per net registered ton per day.

13. This contract is subject to all the conditions of the regular berth Bill of Lading applicable to the port of discharge; and the Master, or person appointed by him, shall sign Bills of Lading as presented, without prejudice to this contract; any difference between Bills of Lading and the freight due vessel under this agreement is to be settled at loading port before clearance; if in favor of the vessel, in cash at the current rate of exchange, less insurance; if in favor of Charterers, by draft of Master upon his consignees, payable five days after arrival at port of discharge. Charterer's liability to cease on cargo being shipped and difference of freight and/or demurrage, if any, paid, vessel having a lien on the cargo or freight.

14. The Act of God, restraint of rulers and people, war, fire, epidemics, strikes, and all and every danger and accident of the seas, canals, rivers, and of navigation, always mutually excepted. It is also mutually agreed that this agreement is subject to all the terms and provisions of, and all the exemptions from liability contained in the Act of Congress of the United States, approved on the 13th day of February, 1893, and entitled "An Act relating to Navigation of Vessels, etc." General Average shall be adjusted according to York-Antwerp rules, 1890.

15. This agreement is made subject to the Rules of the New York Produce Exchange, and all disputes arising at the port or ports of loading shall be submitted to arbitration at New York, as therein provided.



16. A commission of two and one-half per cent. ( $2\frac{1}{2}$  per cent.) and the customary freight brokerage is due by Owners on signing this agreement to ....., vessel lost or not lost.

By cable authority from .....

Dated .....

Witness ..... Agents.

Witness .....  
.....

A true copy: .....  
.....

Brokers.

## APPENDIX I

### THE HARTER ACT

ACT OF CONGRESS, APPROVED FEBRUARY 13, 1893

An Act relating to navigation of vessels, bills of lading, and to certain obligations, duties, and rights in connection with the carriage of property.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Section 1. That it shall not be lawful for the manager, agent, master or owner of any vessel transporting merchandise or property from or between ports of the United States and foreign ports to insert in any bill of lading or shipping document any clause, covenant, or agreement whereby it, he, or they shall be relieved from liability for loss or damage arising from negligence, fault, or failure in proper loading, stowage, custody, care, or proper delivery of any and all lawful merchandise or property committed to its or their charge. Any and all words or clauses of such import inserted in bills of lading or shipping receipts shall be null and void and of no effect.

Section 2. That it shall not be lawful for any vessel transporting merchandise or property from or between ports of the United States of America and foreign ports, her owner, master, agent or manager to insert in any bill of lading or shipping document any covenant or agreement whereby the obligations of the owner or owners of said vessel to exercise due diligence, properly equip, man, provision, and outfit said vessel, and to make said vessel seaworthy and capable of performing her intended voyage, or whereby the obligations of the master, officers, agents, or servants to carefully handle and stow her cargo and to care for and properly deliver same, shall in any wise be lessened, weakened, or avoided.

Section 3. That if the owner of any vessel transporting merchandise or property to or from any port in the United States of America shall exercise due diligence to make the said vessel in all respects seaworthy and properly manned, equipped, and supplied, neither the vessel, or owners, agents, or charterers shall become or be held responsible for damage or loss resulting from faults or errors in navigation or in the management of said vessel, nor shall the vessel, her owner or owners, charterers, agent, or master, be held liable for

losses arising from dangers of the sea or other navigable waters, acts of God, or public enemies, or the inherent defect, quality, or vice of the thing carried, or from insufficiency of package, or seizure under legal process, or for loss resulting from any act or omission of the shipper or owner of the goods, his agent or representative, or from saving or attempting to save life or property at sea, or from any deviation in rendering such service.

Section 4. That it shall be the duty of the owner or owners, master, or agent of any vessel transporting merchandise or property from or between ports of the United States and foreign ports to issue to shippers of any lawful merchandise a bill of lading, or shipping document, stating, among other things, the marks necessary for identification, number of packages, or quantity, stating whether it be carrier's or shipper's weight, and apparent order or condition of such merchandise or property delivered to and received by the owner, master, or agent of the vessel for transportation, and such document shall be prima facie evidence of the receipt of the merchandise therein described.

Section 5. That for a violation of any of the provisions of this Act the agent, owner, or master of the vessel guilty of such violation, and who refuses to issue on demand the bill of lading herein provided for, shall be liable to a fine not exceeding two thousand dollars. The amount of the fine and costs for such violation shall be a lien upon the vessel, whose agent, owner, or master is guilty of such violation, and such vessel may be libeled therefor in any district court of the United States, within whose jurisdiction the vessel may be found. One-half of such penalty shall go to the party injured by such violation and the remainder to the Government of the United States.

Section 6. That this Act shall not be held to modify or repeal sections forty-two hundred and eighty-one, forty-two hundred and eighty-two, and forty-two hundred and eighty-three of the Revised Statutes of the United States, or any other statute defining the liability of vessels, their owners, or representatives.

Section 7. Sections one and four of this act shall not apply to the transportation of live animals.

Section 8. That this Act shall take effect from and after the first day of July, eighteen hundred and ninety-three.



## APPENDIX J

### COMMON SHIPPING FORMS

#### *Dock:*

- Permit to ship
- Receipt for cargo (triplicate)
- Dock report
- Checker's report
- Lighter sheet
- Loading or discharging report
- List of cargo received
- Dock pay-roll
- Labor report
- Watching report
- Completed loading report
- Completed discharging report
- Equipment report

#### *Office:*

- Freight contract
- Proposed loading report (p. 156)
- Bill of lading (Appendix D-2)
- Manifest
- Out-turn manifest
- Log abstract (engine)
- Log abstract (deck)
- Port log forms

## APPENDIX K

Following is a list of the ordinary papers required by a ship about to sail:

### PERMANENT PAPERS

Certificate of registry  
Certificate of class  
Anchor and chain certificate  
Official log-book  
Blue-prints and immersion scale  
Radio license

### VOYAGE PAPERS

Underwriters' certificate  
Bill of health  
Shipping articles  
Crew list  
Tonnage tax receipt  
Fumigation certificate  
Immigration forms  
Copies of bills of lading  
Copy of manifest  
Plan of stowage  
Letter of instructions from agent  
Letter of introduction to consignee

## APPENDIX L

### UNITED STATES SHIPPING BOARD EMERGENCY FLEET CORPORATION MANAGING AGREEMENT

THIS MANAGING AGREEMENT, made this ..... day of....., by and between the United States Shipping Board Emergency Fleet Corporation, the first party, hereinafter called THE CORPORATION, and ....., of ....., the second party, hereinafter called THE MANAGER, Witnesseth:

WHEREAS THE CORPORATION is operating the vessel ..... and certain other vessels and desires to make an agency contract with THE MANAGER for the husbanding and managing of said vessel and such other vessels as it has assigned and may assign to THE MANAGER for such purpose;

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

*First.* THE CORPORATION hereby appoints THE MANAGER as its agent for the husbanding and managing of the vessel ..... and such other vessels as THE CORPORATION has assigned, and may from time to time assign, to THE MANAGER for such purpose.

*Second.* THE CORPORATION will provide and pay for all fuel, fresh water, stevedoring, port charges, pilotages, agencies, commissions, and consular charges, except those pertaining to the master, officers, and crew, and all other expenses which are usually borne by a time charterer of a vessel.

*Third.* THE MANAGER, as such agent:

(a) Shall act as THE MANAGER of the vessel in such trade or service as THE CORPORATION shall direct, being subject to the orders of THE CORPORATION as to voyages, cargoes, priorities of cargoes, charters, rates of freight, and other charges, and as to all matters connected with the use of the vessel.

(b) Shall take proper delivery of the vessel from the Operation or Construction Division of THE CORPORATION, or from the owner, builder, or any one else having control, as THE CORPORATION may direct.

(c) Shall exercise due diligence to man, equip, victual, and supply the vessel, and to provide and pay for all provisions, wages, and consular, shipping, and discharging fees of the master, officers, and



crew; all cabin, deck, engine room, and other necessary stores; and all other costs and expenses (except those expenses to be paid by THE MANAGER out of his own funds covered by the compensation and fees hereafter provided for) properly incident to the management of the vessel, including war risk insurance, if any, required by law on the master, officers, and crew.

(d) Shall exercise due diligence to maintain the vessel in a thoroughly efficient state in hull, machinery, tackle, apparel, furniture, and equipment, procuring for and on behalf of THE CORPORATION the necessary labor and material to effect ordinary running repairs and replacements. No extraordinary repairs or expenses shall be made or incurred, and no alteration in hull, machinery, or equipment shall be made, by THE MANAGER, except in serious emergency, without first securing in writing the authorization of THE CORPORATION.

(e) Shall exercise due diligence to see that no damage to the vessel arises from loading improper cargo, from improper stowage, or from improper berthing of the vessel.

(f) Shall, whenever no separate Operator is acting, do the things required of an Operator under the terms and conditions of the regular form of Operating Agreement of THE CORPORATION then in use.

(g) Shall hold all moneys collected on behalf of THE CORPORATION, and shall deposit the same in national banks, or banks which are members of the United States Federal Reserve Association, as a separate trust fund to be designated ".....,

Name of manager

Shipping Board Fund," and shall not mingle the same with other moneys owned or held by THE MANAGER, and shall make from such funds all disbursements hereinafter authorized to be paid by or to THE MANAGER for account of THE CORPORATION, and shall, promptly after the dispatch of each vessel, or at such other times as may be directed, account to THE CORPORATION for moneys received and disbursed. No items not supported by vouchers aggregating more than \$10 will be allowed.

(h) Shall keep separate accounts in such manner and form as may be prescribed by THE CORPORATION of all moneys collected and disbursed, and accord to accountants and other representatives of THE CORPORATION access to all books and papers, and render such assistance in the examination thereof as THE CORPORATION may require.

(i) Shall exercise due diligence to do or cause to be done all things which would be done by the owner, or the owner's agent, under the usual government form of time charter, attending to all matters in connection with the management of the vessel.

*Fourth.* THE CORPORATION, in consideration of the services or

things herein agreed to be performed, shall pay compensation and allow commissions as follows:

*A. Compensation for Management.*

- I. For each vessel up to and including the fifth, \$400 per month, and at the same rate for each part of a month;
- II. For each vessel in excess of five, \$350 per month, and at the same rate for each part of a month.

Such compensation shall be payable to THE MANAGER from the day of delivery of each vessel to THE MANAGER until redelivery or loss.

*B. Commissions for Advancing Funds.*

- I. If THE MANAGER is without funds of THE CORPORATION, either as THE MANAGER or as THE OPERATOR, for the disbursement of the vessel in foreign or dependency ports, and funds are there advanced by THE MANAGER, or procured from others, a commission will be allowed in accordance with the usual commissions paid in the respective ports, as certified to the United States Shipping Board by the American Steamship Association, and verified by the Comptroller.

*Fifth.* If THE MANAGER shall knowingly permit any cargo to be carried without the consent of THE CORPORATION or THE OPERATOR, THE MANAGER shall receive no commission, fee, or other compensation for any services rendered during the voyage.

*Sixth.* Whenever THE CORPORATION may legally have the advantage of any existing or future contracts of THE MANAGER for the purchase of material, fuel, supplies, or equipment, it shall have the benefit thereof, provided that such contracts may be made available to THE CORPORATION without unreasonably interfering with the requirements of other vessels owner or operated by THE MANAGER.

*Seventh.* THE CORPORATION shall reimburse THE MANAGER for all disbursements properly incurred on its behalf as authorized in this agreement.

*Eighth.* All salvages shall be for the benefit of THE CORPORATION. This provision, however, shall not be construed to deprive THE MANAGER of any right to salvage reserved to THE MANAGER as vessel owner under any charter.

*Ninth.* THE CORPORATION shall have the right, at any time, to terminate this agreement as to any or all vessels assigned to THE MANAGER, and to assume forthwith control of any or all of the vessels, and to collect directly all freights, moneys, or other charges remaining unpaid. THE MANAGER, however, in such case shall adjust,

settle, and liquidate the current business of the vessels if so required by THE CORPORATION.

*Tenth.* Upon giving THE CORPORATION thirty days' written notice, THE MANAGER shall have the right to terminate this agreement, such termination not to become effective as to any vessel until its arrival and discharge at a United States port. THE MANAGER shall, however, if required by THE CORPORATION, adjust, settle, and liquidate the current business of the vessel.

*Eleventh.* THE MANAGER shall, at the time of execution and delivery of this agreement, or at any other time, if so required by THE CORPORATION, furnish a satisfactory bond in such amount as THE CORPORATION may order, for the faithful and proper discharge of the obligations and duties hereunder assumed.

*Twelfth.* This agreement is made with the distinct understanding that THE MANAGER has in his service a competent shore force consisting of at least one port captain and one port engineer, and in the event that six or more vessels are assigned to THE MANAGER, one port steward, each of whom has had actual sea experience in his respective capacity.

*Thirteenth.* This Agreement shall apply to the management of all vessels assigned to THE MANAGER, sailing from United States ports on or after the 1st day of March, 1919.

WITNESS AS TO SIGNATURE:

.....

WITNESS AS TO SIGNATURE:

.....

UNITED STATES SHIPPING BOARD

EMERGENCY FLEET CORPORATION,

By .....

*Director of Operations.*

By .....

*The Manager.*



## APPENDIX M

### UNITED STATES SHIPPING BOARD EMERGENCY FLEET CORPORATION OPERATING AGREEMENT

THIS OPERATING AGREEMENT, made this.....day of....., by and between the United States Shipping Board Emergency Fleet Corporation, the first party, hereinafter called THE CORPORATION, and ..... of ....., the second party, hereinafter called THE OPERATOR, Witnesseth:

WHEREAS, THE CORPORATION is operating the vessel ..... and certain other vessels and desires to make an agency contract with THE OPERATOR for the operation of said vessel and such other vessels as it has assigned and may assign to THE OPERATOR for such purpose;

Now, THEREFORE, IT IS AGREED AS FOLLOWS:

*First.* THE CORPORATION hereby appoints THE OPERATOR as its agent for the operation of the vessel ..... and such other vessels as THE CORPORATION has assigned, and may from time to time assign, to THE OPERATOR for such purpose.

*Second.* THE CORPORATION will man, equip, victual, and supply the vessel, and provide and pay for all provisions, wages, and consular, shipping, and discharging fees of the master, officers, and crew, and all cabin, deck, engine room, and other necessary stores; and will exercise due diligence to maintain the vessel in a thoroughly efficient state in hull, machinery, tackle, apparel, furniture, and equipment for and during service.

*Third.* THE OPERATOR, as such agent:

(a) Shall operate the vessel in such trade or service as THE CORPORATION shall direct, being subject to the orders of THE CORPORATION as to voyages, cargoes, priorities of cargoes, charters, rates of freight, and other charges, and as to all matters connected with the use of the vessel.

(b) Shall provide and pay for all fuel, fresh water, stevedoring, port charges, pilotages, agencies, commissions, and consular charges, except those pertaining to the master, officers, and crew, and all other expenses which are usually borne by a time charterer of a vessel.

(c) Shall exercise due diligence to see that all freight is prepaid,

except when otherwise instructed by THE CORPORATION, or where the prevailing customs in the particular trade are to the contrary, in which case freight may be made payable at destination in accordance with such custom. All freight in cases where cargo is perishable or not worth the freight charges must be prepaid unless the custom of the trade is to the contrary.

(d) Shall issue or cause to be issued to shippers customary freight contracts and bills of lading, and shall exercise due diligence to see that such bills of lading contain all exemptions and stipulations usual to the particular trade or service in which the vessel may be engaged, and reserve to THE CORPORATION a lien upon all cargoes for the payment of freight, primage charges, dead freight, demurrage, forwarding charges, advance charges for carriage to port of shipment, for contributions in general average and special charges on cargo, and for all fines or damages which the vessel or cargoes may incur by reason of illegal, incorrect, or insufficient marking or addressing of packages, or description of their contents, and in trades where customary, make the shipments subject to usual war clauses, to the "Harter Act," to a provision that all general average shall be settled, unless otherwise directed by THE CORPORATION, at New York in accordance with York-Antwerp rules of 1890, and Antwerp rule of 1903, and otherwise in accordance with the rules and customs of the port of New York, and also subject to the following clause:

"If the owner of the ship shall have exercised due diligence to make said ship in all respects seaworthy and properly manned, equipped, and supplied, it is hereby agreed that in case of loss, damage, danger, or disaster resulting from fault or negligence of the pilot, master, or crew, in the navigation or management of the ship, or from latent or other defects or unseaworthiness of the ship, whether existing at the time of shipment or at the beginning of the voyage or on the voyage, but not discoverable by due diligence, the owner shall not be liable therefor, and the consignee or owners of the cargo shall not be exempt from liability for contribution in general average, or for any special charges incurred, but with the shipowner shall contribute in general average and shall pay such special charges as if such loss, damage, danger, or disaster had not resulted from such fault, negligence, latent or other defect, or unseaworthiness."

(e) Shall collect all freights and other money due THE CORPORATION, advance all funds for all expenses properly to be paid by him as agent, and take proper general average security.

(f) Shall hold all money collected on behalf of THE CORPORATION, and shall deposit the same in national banks, or banks which are members of the United States Federal Reserve Association, as a separate trust fund, to be designated ".....

Name of agent

Shipping Board Fund," and shall not mingle the same with other moneys owned or held by THE OPERATOR, and shall make from such funds all disbursements hereinafter authorized to be paid by or to THE OPERATOR for account of THE CORPORATION, and shall, promptly

after the dispatch of each vessel, or at such other times as may be directed, account to THE CORPORATION for moneys received and disbursed. No items unsupported by vouchers aggregating more than \$10 will be allowed.

(g) Shall keep separate accounts in such manner and form as may be prescribed by THE CORPORATION of all moneys collected and disbursed, and accord to accountants and other representatives of THE CORPORATION access to all books and papers, and render such assistance in the examination thereof as THE CORPORATION may require.

(h) Shall, in order to prevent speculation in freight or passenger space, exercise due diligence to see that all freight contracts show the name of actual shipper, commodities, quantities, and freight rates, except that in coastwise trade of the United States and in the West Indies trade the freight rate need not be shown on permits, but must be shown on bills of lading and must be the rate in current tariffs. No space allotted to the original shipper may be sublet on any terms or conditions whatsoever without the consent of THE CORPORATION. If THE OPERATOR shall, without the consent of THE CORPORATION, knowingly carry any cargo, the space for which has been sublet by the original shipper upon any terms or conditions whatsoever, THE OPERATOR shall receive no commission, fee, or other compensation for any services rendered during the voyage.

(i) Shall exercise due diligence to see that all bills of lading when issued agree with the freight contracts, that all wharf receipts for freight are non-negotiable, and that a freight contract or permit is issued for each shipment.

(j) Shall exercise due diligence to perform or cause to be performed all of the customary agency duties concerned with loading and discharging cargoes at all ports included in the vessel's itinerary, and all things necessary for the protection and safeguarding of the interests of THE CORPORATION.

*Fourth.* THE CORPORATION, in consideration of the services or things herein agreed to be performed, shall pay compensation and allow commissions and fees, as follows:

*A. Compensation Payable to THE OPERATOR.*

*I. On all vessels except tankers.*

*(a) From United States ports:*

- (1) On general cargo, a commission of  $2\frac{1}{2}$  per cent. on the gross ocean freight list.
- (2) On bulk cargo, a commission of  $1\frac{1}{4}$  per cent. on the gross ocean freight list.



The term "bulk cargo," as used herein, shall include a cargo, a substantial part (amounting to 50 per cent. or more) of which is loaded at one port and discharged at one port, when covered by one bill of lading, and delivery is made without regard to marks or numbers, and all United States Government cargoes, when vessel is exclusively laden therewith. Whenever the excess over such substantial part is general cargo, the commission payable on general cargo as above shall be paid on the freight earnings on such excess. Where Government cargoes are carried, and no charge or a nominal charge is made therefor, the commissions and fees shall be based upon a freight schedule established in each case by the United States Shipping Board for such purpose.

- (b) Into United States ports from foreign and dependency ports, a fee of \$250 for each vessel.

The term "dependency ports," as used herein, shall include ports in the Hawaiian Islands, Porto Rico, Virgin Islands, Guam, Canal Zone, Philippine Islands, and Alaska.

- (c) From or into United States ports, one commission of 5 per cent. on all mails, express, and commercial passenger revenue. This commission also covers all agency commissions and fees paid in foreign or dependency ports, except brokerages authorized to be paid under C-II.

## II. *On tankers.*

Between United States ports and foreign and dependency ports, a fee of \$100 for each vessel.

### *B. Commissions and fees payable to others than THE OPERATOR for unloading, loading, and attendance at foreign and dependency ports.*

## I. *On all vessels including tankers.*

- (a) A commission or fee for agency services in accordance with the usual commissions and fees paid in the respective ports, as certified to the United States Shipping Board by the American Steamship Association, and verified by the comptroller; provided that any commission or fee paid for attending to any mail, express, or commercial passenger revenues shall be borne by THE OPERATOR out of the commission allowed him under A-I(c), *supra*, except the brokerages authorized to be paid under C-II.

The same customary commission and fees of the port

will be allowed the branch house of THE OPERATOR as would be allowed to others than such branch house.

*C. Commissions and Fees not otherwise authorized.*

- I. In cases where freight and charter brokerages are necessarily or properly incurred in United States ports to secure cargoes and charters, and are paid in accordance with the usages of the trade, a brokerage commission not exceeding  $1\frac{1}{4}$  per cent. will be allowed. In such cases in foreign or dependency ports, freight and charter brokerages will be allowed with the usual commissions and fees paid in the respective ports, as certified to the United States Shipping Board by the American Steamship Association, and verified by the comptroller.
- II. In cases where passenger tickets are necessarily sold through a broker in foreign or dependency ports, a brokerage commission will be allowed in accordance with the usual commissions in the respective ports, as certified to the United States Shipping Board by the American Steamship Association, and verified by the comptroller.
- III. If THE OPERATOR is without funds THE CORPORATION to meet disbursements of the vessel in foreign or dependency ports, and funds are there advanced by THE OPERATOR, or procured from others, a commission will be allowed in accordance with the usual commissions paid in the respective ports, as certified to the United States Shipping Board by the American Steamship Association, and verified by the comptroller.
- IV. For entering and clearing a vessel light or in ballast into and from United States ports from and to foreign or dependency ports, respectively, or into and from United States Atlantic ports from and into United States Pacific ports, respectively, a fee of \$20 will be allowed. No fee will be allowed for entering or clearing vessels light or in ballast into and from United States ports from and into United States ports other than those above mentioned.
- V. If the vessel, after cargo is booked, is diverted by THE CORPORATION to a port other than that named or contemplated in the original shipping documents, no additional compensation will be paid on any increase in freight earnings resulting from such diversion, but THE OPERATOR will be paid an additional fee of \$250 for performing the services incidental and necessary to the diversion.

*Fifth.* Whenever THE CORPORATION may legally have the advantage of existing or future contract of THE OPERATOR for the purchase

of material, fuel, supplies, or equipment, it shall have the benefit thereof, provided that such contracts may be made available to THE CORPORATION without unreasonably interfering with the requirements of other vessels owned or operated by THE OPERATOR.

*Sixth.* THE CORPORATION shall reimburse THE OPERATOR for all disbursements properly incurred on its behalf as authorized in this agreement.

*Seventh.* All salvages shall be for the benefit of THE CORPORATION. This provision, however, shall not be construed to deprive THE OPERATOR of any right to salvage reserved to THE OPERATOR as vessel owner under any charter.

*Eighth.* THE CORPORATION shall have the right at any time to terminate this agreement as to any or all vessels assigned to THE OPERATOR, and to assume forthwith control of any or all of the vessels, and to collect directly all freights, moneys, or other charges remaining unpaid. THE OPERATOR, however, in such cases shall adjust, settle, and liquidate the current business of the vessels if so required by THE CORPORATION.

*Ninth.* Upon giving THE CORPORATION thirty days' written notice, THE OPERATOR shall have the right to terminate this agreement, said termination not to become effective as to any vessel until its arrival and discharge at a United States port. THE OPERATOR shall, however, if required by THE CORPORATION, adjust, settle, and liquidate the current business of the vessel.

*Tenth.* THE OPERATOR shall, at the time of execution of this agreement, or at any other time, if so required by THE CORPORATION, furnish a satisfactory bond in such amount as THE CORPORATION may order for the faithful and proper discharge of the obligations and duties hereunder assumed.

*Eleventh.* This agreement shall apply to the operation of all vessels assigned to THE OPERATOR, sailing from United States ports on or after the 1st day of March, 1919.

WITNESS AS TO SIGNATURE:

.....

WITNESS AS TO SIGNATURE:

.....

UNITED STATES SHIPPING BOARD  
EMERGENCY FLEET CORPORATION,

By .....  
Director of Operations.

By .....  
The Operator.





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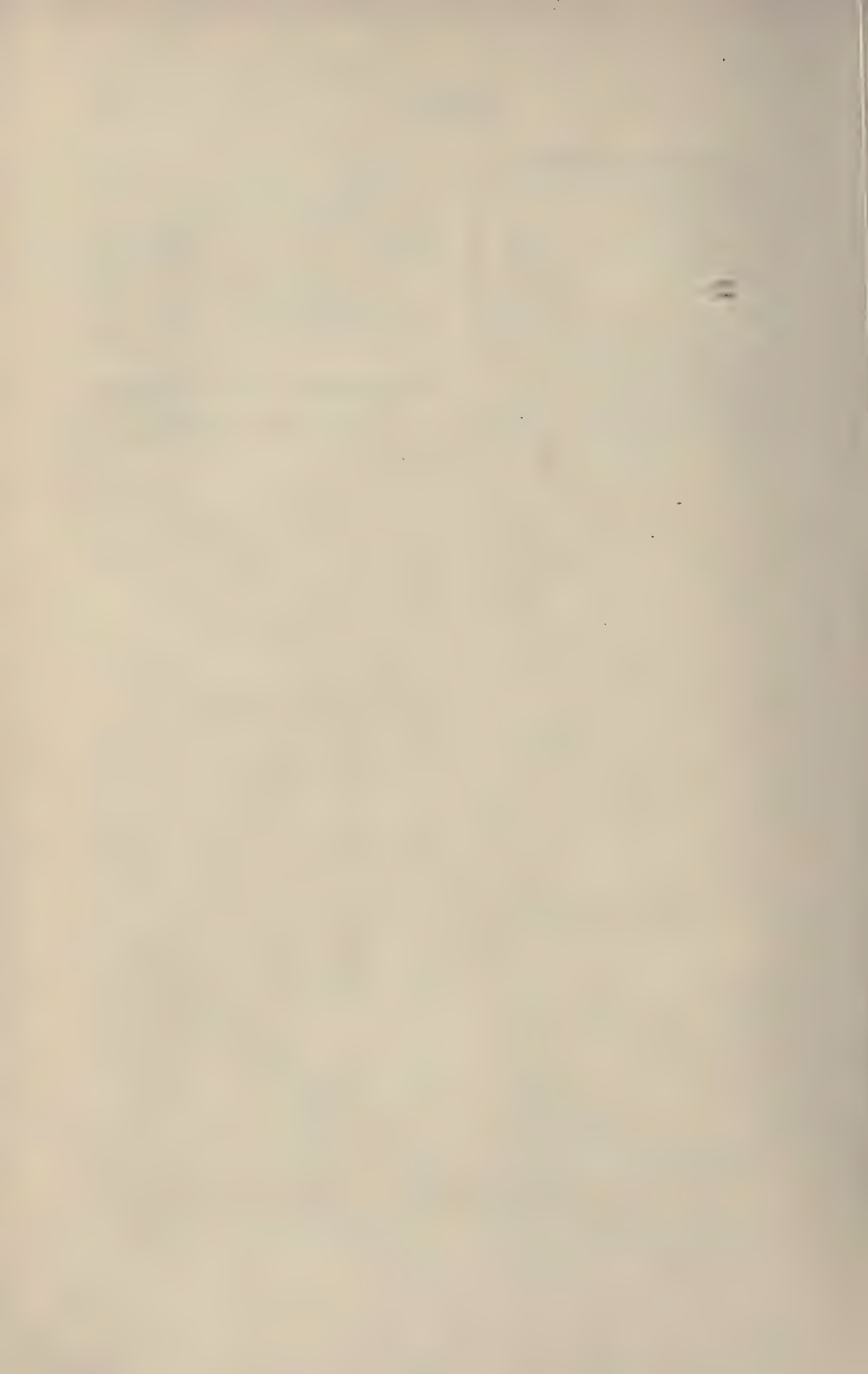
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